

The Hardest Sell: Free Trade Collides With Protectionism

By Reginald Dale International Herald Tribune The cause of free trade has probably never had as many advocates as it does today. Yet in many areas around the world, it is under threat from protectionist forces.

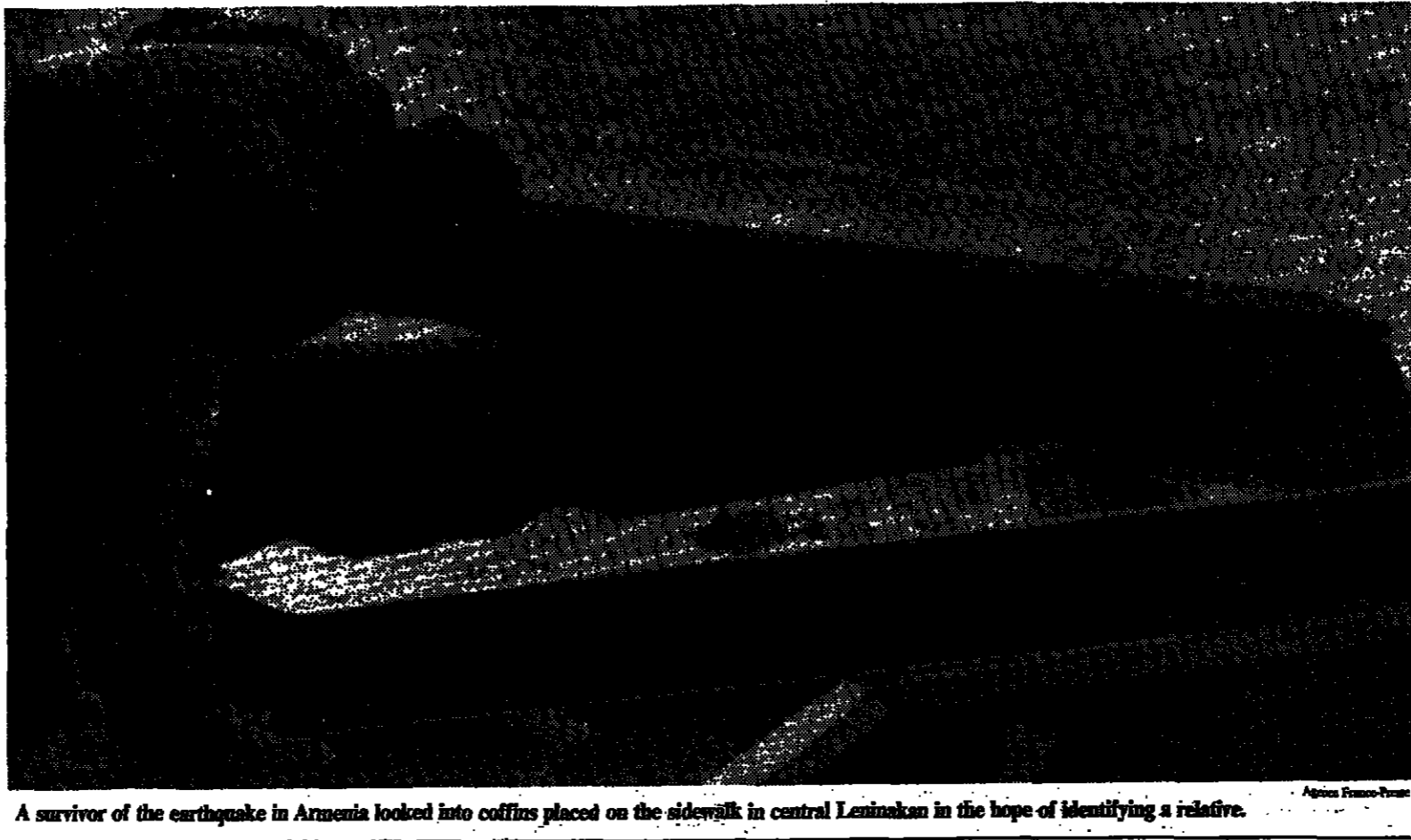
In Leninakan, a Frantic Search for Signs of Life

By Robin Lodge Reuters LENINAKAN, U.S.S.R. — The cries for help from beneath the rubble have almost stopped and the smell of decomposing bodies fills the air in Leninakan.

Armenian Relief Is Hindered

Supplies Slowed, But Gorbachev Defends Efforts

Compiled by Our Staff From Dispatches LENINAKAN, U.S.S.R. — Rescuers struggled with a lack of equipment and poor organization Sunday to free a dwindling number of survivors trapped in mountains of concrete and twisted metal after the earthquake here.



A survivor of the earthquake in Armenia looked into coffins placed on the sidewalk in central Leninakan in the hope of identifying a relative.

Regionalism Is Eroding Central Power in China

By Nicholas D. Kristof New York Times Service BEIJING — Nearly four decades after the Chinese Communist Party abolished local fiefdoms and united China under a strong central government, the country is again facing a serious challenge from regions that compete with each other and ignore commands from Beijing.

For CIA, Glasnost Spells a New Set of Challenges

By Stephen Engelberg New York Times Service WASHINGTON — William H. Webster, the director of central intelligence, says that Mikhail S. Gorbachev poses a challenging paradox for the thousands of officials who collect and analyze information on the Soviet Union, traditionally viewed as the most difficult target in the espionage business.

78 on Soviet Military Flight Killed in Quake Aid Mission

The Associated Press MOSCOW — A Soviet military transport plane carrying soldiers to help victims of the Armenian earthquake crashed Sunday, killing 78 people aboard, Tass reported.

Chaos in Quake Makes Death Toll Uncertain

Compiled by Our Staff From Dispatches MOSCOW — Reports on the death toll in the earthquake that struck Armenia have varied from day to day, and these changes have been reflected in the reporting of Western journalists.

Kiosk Plane Downed, Afghans Say

ISLAMABAD, Pakistan (Reuters) — Kabul radio said on Sunday that a Pakistani jet shot down an Afghan transport plane in eastern Afghanistan, killing 25 people. No Pakistani comment was immediately available.

MONDAY Q&A



Mitsuo Sato, managing director of the Tokyo Stock Exchange, discusses fundamental changes in the Japanese market. Page 2.

The Only Way Out of Kabul Is Up

By Henry Kamm New York Times Service KABUL, Afghanistan — In a city that fears the future, the privileged few, those who have the money for an air ticket, are looking for ways out. The exit options have been reduced to one — a place on one of five weekly flights, heavily overbooked, to New Delhi.

In Hanoi, a Postmortem on War

By Keith B. Richburg Washington Post Service HANOI — American and Vietnamese historians recently completed their first scholarly conference on the Vietnam War, and the U.S. participants said they had learned new information about North Vietnamese casualties, China's role in aiding the Communists and other significant issues.

سكزامن الاصل

The Tokyo Stock Exchange: An Increasingly Global View

As managing director of the Tokyo Stock Exchange, Mitsuo Sato has helped guide the market through a period of fundamental change, both domestically and in its ties to other exchanges. After a 30-year career in the Finance Ministry, Mr. Sato took charge of member firms and international relations two years ago. He spoke with John Vinocur, the International Herald Tribune's executive editor, and Tokyo bureau chief Patrick L. Smith.

Q. How extensive is the TSE's cooperation with other markets, New York and London in particular, and how important is it that internationally accepted regulatory standards be established as they are being established in banking?

A. Ties are becoming both more extensive and more intensive. We have quite a few meetings with the New York Stock Exchange to share information, not only for regulatory purposes but also on the kind of crisis we had a year ago.

We also have a multilateral forum, the Fédération internationale des bourses de valeurs in Paris, through which we can extend cooperation among exchanges. Finally, we are strengthening ties be-

tween futures and options markets and ourselves, including a surveillance agreement we recently concluded with the Chicago Board of Trade.

Q. How does the equity market fit with Japan's broader effort to deregulate the financial sector? The money markets seem to be deregulating while the stock market is going in the opposite direction.

A. The stock market can be said to be moving parallel with other markets in

terms of liberalization, deregulation or internationalization. I would mention in this connection the opening of exchange membership to foreign firms in 1985. We now have 22 foreign members, 20 percent of total membership, which is much higher than our counterparts in New York. London is the only market with a higher foreign component.

Q. There are 45 foreign brokers here, 22 with seats. What is the future for these firms?

A. This year we had 20 foreign applicants for membership, of which we admitted 16. I'm quite sure the remaining four will have seats in the next round.

Q. An obvious concern internationally and domestically is the insider-trading

issue. How far will new regulations go in this matter and where will the emphasis lie: Self-regulation among firms, governance by the TSE or by the Finance Ministry?

A. In my view we have two tasks. One is an institutional arrangement, including legislative provisions from the Finance Ministry so that we can investigate and prosecute insider traders and finally impose penalties. More practically, we have to erect "Chinese walls" and encourage timely disclosure among listed companies. The TSE is giving this much more emphasis in enforcing the rules.

Personally, I think the most important thing is to recognize that in Japan we should place more emphasis on social pressure and social sanctions. We are not individualistic, but collectivist. We emphasize consensus behavior, and we should take advantage of this kind of psychological climate.

Q. You brought us to the next question. A cultural dimension is important in any stock market. Do you see Tokyo as essentially Asian in character, or is it a global market?

A. The securities markets are not alone in facing this question. Everyone in Japan is facing it. As to the market, we need to place more emphasis on globalization simply because the Tokyo exchange is

now the world's largest. We are an inward-looking people, so without a conscious effort to globalize our mentality, we will not succeed.

Q. Are you satisfied with the pace at which this process is proceeding?

A. Situations change gradually. If you're asking if I'm completely satisfied, my answer is no, but we are striving.

Q. Large brokers such as Nomura will go to London and be somewhat embarrassed because competitors look upon them as being large by virtue of practices that are not acceptable elsewhere.

A. You're quite right in saying there's at least one perception that Japanese financial institutions are over-representing themselves abroad. I again think the main issue here is the globalization of the Japanese people.

Q. The Recruit Cosmos stock scandal: Has it damaged the Tokyo market's reputation?

A. It hasn't much affected the market, at least up to now. Recruit is an over-the-counter stock, and that market has been damaged to some extent. If the same thing happened with a listed stock, the situation might indeed have been different. We do have to strengthen the confidence of investors in the fairness of this market.

Q. Japan is virtually alone in maintaining a system of fixed commissions.

A. It's going to take time to go to a system of completely negotiated commissions, simply because of the peculiar structure of the securities industry here. We have four big elephants, a small number of dogs and quite a number of mice. If we dared to have a negotiated system, we'd face dislocation and disruption that would ultimately be to the investor's loss.

Q. We've just had reports of declining profits among Japanese brokers. Do you see a period of consolidation coming?

A. Maybe. But profits are down 20 percent or so from last year, when performance was very good — too good, I think. It's a small setback. I see no change in the industry's basic structure.

Q. What about the unusual position occupied by the Big Four — Nomura, Daiwa, Nikko and Yamachit? Are they too dominant in this market?

A. They account for about 50 percent of total transactions. But bigness is not always bad. We can expect good economies of scale and more innovative capacity than when you have very small mice. But of course, we have to watch the situation with regard to, say, commission rates and the liquidity of the market.

WORLD BRIEFS

Protest Strike Shuts Down Gaza Strip

JERUSALEM (Reuters) — Three Israeli soldiers and seven Palestinians were wounded in the occupied territories on Sunday as a general strike was taking place in the Gaza Strip to protest the killing of two Arab activists.

Palestinians in the Gaza Strip stayed away from work and halted public transport to protest the killing on Saturday of a teen-age demonstrator and a detention camp inmate who tried to stab an Israeli soldier.

The injuries occurred as police and troops battled protesters who hurled stones and bottles in Gaza, as well as in the West Bank and in East Jerusalem.

Soviet Plan Might Affect U.S. Missile

WASHINGTON (Reuters) — Mikhail S. Gorbachev's announcement to reduce Soviet forces in Eastern Europe could confound U.S. plans to upgrade a nuclear missile for Western Europe, a congressional aide said Sunday.

Les Aspin, Democrat of Wisconsin and chairman of the House Armed Services Committee, said that the Congress, in seeking ways to reduce the federal budget deficit, might try to save some money by not funding a planned Defense Department modernization of the Lance missile. The Pentagon wants to improve the accuracy and range of the aged Lance to let it serve as a shorter-range replacement for some missiles banned under the intermediate-range missile treaty reached a year ago.

Mr. Aspin said there was a plan to put "some starting money" in modernization of the Lance into the 1990 budget and that was "the kind of thing" that the Gorbachev announcement "is going to impact." But he said he did not believe the United States would move immediately to cut its military budget or the number of troops deployed in Europe because Mr. Gorbachev said the withdrawal would take two years.

Paraguay Police Attack Rights March

ASUNCION, Paraguay (AP) — Police attacked hundreds of people with electric prods and riot sticks to prevent them from holding a march to commemorate the 40th anniversary of the Universal Declaration of Human Rights.

Several dozen people were reported injured at the march Saturday, including Rafaela Guanes de Laino, wife of an arrested opposition leader, Domingo Laino, and Ilde Silvero, director of a Roman Catholic weekly, Sendero. Several demonstrators were arrested.

The police prevented people from entering the national cathedral, where a Mass was celebrated before the march, and dispersed a crowd of 300 at the office of the United Nations. The groups were to have marched between the two buildings in central Asuncion, an area full of shoppers.

Monk Slain and 13 Injured in Tibet

BEIJING (Reuters) — A monk was shot and killed by the police and 13 persons were injured during a protest march in the Tibet for independence, Chinese state television said Sunday.

The report said the demonstrators in the Tibetan capital, Lhasa, ignored warnings from the police on Saturday, who then opened fire. It said that 2 of the 13 wounded had slight injuries, and that one of the injured was a Dutch woman, who the television said she had entered Tibet three times as a tourist and "became active after the demonstration began." The report gave no other details. Lhasa was calm on Sunday as the police imposed tight security. Westerners there said.

Papandreou's Legal Adviser Resigns

ATHENS (NYT) — The chief legal adviser to Prime Minister Andreas Papandreou has resigned and a senior banking executive has been arrested in a deepening political and financial scandal. The adviser, George Kasimatis, said Saturday he had submitted his resignation because Deputy Prime Minister Agamemnon Kostasgiorgas had implied that he was involved in the scandal.

Mr. Kostasgiorgas had asserted that a legal and financial adviser close to Mr. Papandreou had said that the business activities of the banker who is at the center of the current crisis were legal. He did not name the adviser. The banker, George Koskotas, 35, fled Greece a month ago to escape trial on fraud and embezzlement charges. He has threatened to reveal the names of Greek officials who he says received money from him.

On Saturday, the police arrested Panos Valakis, a member of the governing Socialist Party and a former vice president of the Bank of Crete, on charges of being an accomplice in Mr. Koskotas's activities.

For the Record

David Bloom, 24, a Wall Street investment adviser who swindled clients out of \$15 million in a fake investment scheme and spent the money on art, luxury homes and cars, was sentenced to eight years in prison on Friday in U.S. District Court in New York.

Yury Mityunov, a leading member of the Democratic Union grouping, said by telephone that the demonstrations took place in Moscow, Leningrad and Saratov on Saturday and in Sverdlovsk in the Urals on Sunday.

According to Mr. Mityunov, 300 people gathered in Pushkin Square for the Moscow demonstration which authorities had banned on the ground that it would violate the day of mourning declared for victims of the Armenian earthquake.

He said police did not intervene in Leningrad, where there was a one-minute vigil of silence for victims of repression under Stalin.

TRAVEL UPDATE

Strikes Close 3 Paris Métro Lines

PARIS (AFP) — Three of the 13 Métro lines in Paris will be closed and strikes will have reduced service Monday because of continuing strikes, a spokesman for the transit authority said Sunday. The other lines would provide normal services, the spokesman said.

About half of the trains on two suburban RER routes will be operating Monday. The lines were both closed Saturday, as were two Métro lines. Two train drivers were attacked by passengers on Saturday, the other Sunday. After the second attack, in which youths tossed a tear-gas canister at a driver, the drivers on that line joined the strike.

Air France cancelled three medium-range flights and two long-range flights scheduled for Monday. State train officials said services would function normally Monday throughout the country.

Italian air traffic controllers have called strikes for Wednesday, Thursday and Friday, but Transportation Minister Giorgio Santuz has said he will order a minimum number of controllers to work in order to avoid a paralysis of air traffic.

United Airlines, which along with other U.S. carriers recently cut-rate fares, on Saturday announced lowered fares for people buying tickets a few days before flying. The fare requires purchase seven days in advance and there is a 25 percent cancellation penalty, but the fare's nonstop Chicago-Los Angeles fare, for example, drops from \$525 to \$362 (it had been \$239 under the discount eliminated last month).

West Germany's refusal to set speed limits on all its highways is hindering EC efforts to improve road safety and contributing to air pollution, Prime Minister Michel Rocard of France said in an interview published Sunday by the West German magazine Der Spiegel.

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Kenya, Mauritania, Mexico, Thailand, Venezuela.

FRIDAY: Bahrain, Bangladesh, South-West Africa, Nepal, South Africa.

SATURDAY: Bahrain, Bhutan.

SUNDAY: Niger.

Source: Morgan Guaranty Trust Co., Reuters.

Walesa and Sakharov Discuss Unified Action During Paris Meeting

By Meg Bortin International Herald Tribune

PARIS — Two unofficial architects of new thinking in Eastern Europe, Lech Walesa and Andrei D. Sakharov, have held an informal meeting that could mark the start of unified action for civil rights in Poland and the Soviet Union.

Brought together by ceremonies in Paris marking the 40th anniversary of the Universal Declaration of Human Rights, the two Nobel Peace laureates met for the first time after Mr. Sakharov knocked on the door of Mr. Walesa's hotel room Saturday and went in for a 45-minute talk.

Mr. Sakharov, who won the peace prize in 1975 for his human rights activities in the Soviet Union, and Mr. Walesa, who became a laureate in 1983 for his work as leader of the outlawed Solidarity trade union in Poland, avoided suggesting that their encounter could forge a new alliance.

But Polish sources said that Mr. Walesa appealed to Mr. Sakharov to use his influence to help Solidarity, and that the two men discussed possible forms of cooperation.

The sources said that Mr. Sakharov had met Mr. Walesa's appeal with a bemused disclaimer of his power to influence Soviet policy.

"You, who head a movement of millions of workers, are asking me for help when I am isolated and alone?" the sources quoted Mr. Sakharov as saying.

Mr. Walesa, on his first trip abroad since martial law was imposed in Poland in 1981, was greeted by hundreds of Poles waving red and white Solidarity banners as he traveled around Paris.

Mr. Sakharov, who was scheduled to return to Moscow on Monday after his first trip to the West, met Sunday with French scientists and friends who supported him during his seven years of internal exile in the Soviet Union.

Both men were guests of honor Saturday at a ceremony at the Palais de Chaillot marking the anniversary of the rights declaration adopted by the United Nations in Paris on Dec. 10, 1948.

Javier Pérez de Cuellar, the UN secretary-general, who arrived from Oslo after accepting the 1988 Nobel Peace Prize on behalf of UN peacekeeping forces, praised Mr. Sakharov and Mr. Walesa.

President François Mitterrand pledged France's support for all UN work to investigate and publicize rights abuses. "For oppression feeds on silence," he declared.

Mr. Mitterrand, who organized the event in what some saw as an effort to enhance France's profile as a defender of human rights, met separately with Mr. Sakharov and Mr. Walesa on Saturday.

The president later was the host at a dinner where other guests included Hortensia Allende, widow of Chilean Salvador Allende, and Yelena G. Bonner, Mr. Sakharov's wife. Breytan Bryntsbach, the South African writer, and Elie Wiesel, the American writer and another Nobel Peace laureate.

Mr. Walesa said he had private talks with Hans-Dietrich Genscher, the West German foreign minister, held at Mr. Genscher's initiative. Polish sources said the meeting was likely to upset the authorities in Warsaw, who have recently sought high-level contacts with Bonn, but without success.

Walesa Finds West Lacking Spiritual Values

PARIS — Lech Walesa, in Paris on his first trip abroad in seven years, said Sunday that people in the West seemed lacking in spiritual values.

"I've only been here two days, and Paris is very beautiful, but I find no spirituality," Mr. Walesa, the leader of the Solidarity movement in Poland, said after meeting the Roman Catholic archbishop of Paris, Jean-Marie Lustiger.

Archbishop Lustiger said Mr. Walesa told him that Westerners "have wealth and civil liberties but don't seem to believe in anything."

"You have so many computers, why don't you use them in the search for love?" the archbishop said Mr. Walesa asked.



Lech Walesa, left, with Andrei D. Sakharov and Yelena G. Bonner at the human rights anniversary meeting in Paris.

After 2 Decades, Prague Allows a Rally

By Jackson Diehl Washington Post Service

PRAGUE — Thousands of demonstrators celebrating the 40th anniversary of the Universal Declaration of Human Rights cheered opposition leaders and chanted for freedom here in the first independent public rally allowed by Communist authorities in two decades.

"It seems we are living in a dynamic and promising time, and that our society has begun to recover from its long slumber," Vaclav Havel, a writer and leader of the human rights group Charter 77, told about 5,000 people who gathered Saturday in a small square.

"Our government has finally recognized that it has to be more tolerant," Mr. Havel said.

[About 1,000 people demonstrated peacefully Sunday in Olomouc, in central Czechoslovakia, demanding the release of a leading religious activist confined to a psychiatric hospital since October. The Associated Press reported, Czechoslovak police arrested one of the organizers but did not otherwise intervene during the 20-minute gathering in a central square.]

The decision by the Communist leadership to allow the demonstration Saturday represented an abrupt reversal of what has been a tough crackdown against opposition activity in the last few months.

On Saturday, police were deployed in force on the central square of Prague, the Vaclav Nemesi, to prevent any repeat of a march by 10,000 persons set off there by a small group of protesters on Aug. 21, the 20th anniversary of the Soviet invasion.

But city officials kept to an agreement worked out with opposition groups last week to allow a gathering in a smaller residential square two subway stops to the east, and uniformed police did not go near the area.

Western diplomats and political activists in Prague said the conservative Czechoslovak leadership had appeared to come under strong pressure from both internal party critics and senior Soviet officials.

Mikhail S. Gorbachev's top foreign policy deputy in the Soviet party, Alexander N. Yakovlev, visited Prague for five days last month and made several public statements that appeared critical of the lack of political openness in Czechoslovakia. Western diplomats said they believed Mr. Yakovlev may have been crucial in bringing about an apparent softening in policy.

The rally Saturday was sponsored by five organizations, including several that have sprung up in the last few months as Mr. Gorbachev's drive has steadily raised popular hopes for change here.

Young leaders of new groups such as the Independent Peace Initiative and Czechoslovak Children mixed with veterans of the Prague Spring movement of 1968, which pioneered liberalization of Soviet-style socialism.

The demonstrators, who stood in

UN Leader, Accepting Peace Prize, Appeals for U.S. to Pay Its Share

By Paul Lewis New York Times Service

OSLO — Secretary-General Javier Pérez de Cuellar of the United Nations has accepted the 1988 Nobel Peace Prize on behalf of the organization's 10,500 peacekeeping soldiers. But he warned that their operations were in jeopardy because of the failure of the United States and other governments to pay their full share of the cost.

During a ceremony Saturday at Oslo University attended by King Olav V of Norway, Mr. Pérez de Cuellar paid tribute to the half million men and women from 58 countries who have served in UN peacekeeping operations — and to the "733 Blue Helmets who have given their lives in the service of peace."

The secretary-general singled out Lieutenant Colonel William R. Higgins of the U.S. Marine Corps, who was kidnapped in February while on peacekeeping duties in southern Lebanon. Mr. Pérez de Cuellar appealed for the colonel's release.

The secretary-general said the use of UN peacekeeping forces to separate belligerents, monitor truces and oversee free elections marks the first time in history that "military forces have been employed internationally not to wage war, not to establish domination and not to serve the interests of any power or group of powers."

Foreseeing a "time of extraordinary hope and promise for the

United Nations," Mr. Pérez de Cuellar spoke of a "new determination in the world to move away from international conflict."

But the secretary-general and other politicians and officials warned that the United Nations' ability to preserve peace in areas of conflict was being undermined by its financial difficulties at a time when demands for its peacekeeping services seem likely to increase sharply.

The secretary-general said he feared that the Nobel Peace Prize might turn out to be "a posthumous award" for the United Nations' peacekeeping efforts unless governments show greater willingness to pay for them in future.

"It's not enough to make expressions of admiration and good will for peacekeeping," he said. "We need money as well."

The assistant U.S. secretary of state, Richard S. Williamson, the Reagan administration official responsible for United Nations affairs, recently said that the failure

of Congress to appropriate \$150 million for peacekeeping activities before it adjourned in October meant that the administration might be unable to pay its share of the beginning costs for a peacekeeping operation planned for southwestern Africa, if an agreement granting independence to Namibia is completed in the next few weeks.

The Nobel Peace Prize, worth about \$339,000 this year, was presented on the anniversary of the death of Alfred Nobel, a Swedish industrialist, in 1896. The winner of the prize was announced in September.

The award ceremony, the only one of the Nobel ceremonies held in Norway rather than Sweden under the industrialist's will, was attended by officers and soldiers from the United Nations' seven current peacekeeping operations. These are along the India-Pakistan border, in the Sinai, the Golan Heights, Lebanon, Cyprus, the Gulf and Afghanistan.

Amid Air-Traffic Chaos, Tempers Rise in India

By Barbara Crossette New York Times Service

NEW DELHI — With the tourist season about to reach its peak in India, the country's domestic carrier, Indian Airlines, has been flying in disarray for weeks because of strikes and shortages of planes.

As flights are canceled, delayed or rerouted daily, tempers among passengers and airline workers are rising.

On Friday, policemen wielding rattan clubs charged into Dum Dum airport in Calcutta to break up a dispute over a request that all employees wear identity cards. Airport employees then turned off passenger-terminal and runway lights, closing the airport temporarily.

Sunday magazine of Calcutta, quoting from the Indian Airlines company magazine, reported that in September, 2,914 of 8,137 departures had been delayed significantly.

In the same month, the most recent for which figures have been compiled, 270 flights, or nine every

day, were canceled, often leaving passengers stranded at remote airports.

Passengers' letters to newspapers have recounted hair-raising stories of delays. In one case, a passenger wrote, irate customers commandeered a truck to drive them over mountains in below-freezing temperatures.

The public relations director of Indian Airlines, Ajit S. Gopal, retired recently and joined the chorus of condemnation with a long article in the daily Hindustan Times.

He asserted that passengers were paying the price of political interference in the running of the airline. Government ministers have denied this.

But the problems mount. In the last few weeks, a walkout by baggage handlers prompted Indian Airlines to ask passengers to travel light and handle their own luggage for a few days.

Flights have begun to call for safer airports and better maintenance following several accidents, including the collapse two weeks ago of the front wheel of an Air India and two domestic air crashes that killed 164 people on Oct. 19.

Indian Airlines, which has 20 Boeing 737s and 11 Airbus for its busy domestic and regional routes, is planning to expand its fleet as quickly as possible. But the carrier is by every estimation overburdened now, as more Indians begin to have the money to fly.

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Around the rises on a new

Bush Is Facing Pressure to Reregulate

By Richard L. Berke
New York Times Service

WASHINGTON — President-elect George Bush faces growing congressional and public pressure to revitalize the federal regulatory machinery, which he himself, as the apostle of deregulation in the Reagan administration, partly dismantled.

Legislators and political analysts say the pressure is fed by a heightened public uneasiness about deregulatory shortcomings that touch the daily lives of millions of Americans: from delays at airports and strains on the national air traffic control system to the presence of hazardous chemicals in the workplace and to worries about the safety of money deposited in savings institutions.

Many legislators, especially

Democrats, have long questioned the concept of broad deregulation and are now poised to push for new controls, particularly those dealing with the savings and loan sector, the environment and public health and safety.

"There is not the enthusiasm for deregulation that there once was," said Senator Daniel P. Moynihan, Democrat of New York. "Try to get a flight to Albany from Washington, and you'll know why."

He gets agreement from his fellow New Yorker in the Senate, Alfonso M. D'Amato, a Republican.

"I don't see deregulation as a driving force anymore," Mr. D'Amato said.

The unfeathering of both industry and the federal bureaucracy from red tape was a priority of President Ronald Reagan, who was elected in

1980 with a promise to "get the government off the backs of the people."

On his third day in office, Mr. Reagan appointed Mr. Bush chairman of the Task Force on Regulatory Relief. Whether Mr. Bush will seek further limits on the 40 regulatory agencies in the executive branch and the 18 independent regulatory commissions is as yet uncertain, but there is some evidence that he will not.

He did not emphasize deregulation as an issue in the presidential race, although a campaign flyer did say that one of his "proudest accomplishments as vice president has been to help eliminate needless government regulations."

On occasion, in fact, Mr. Bush seemed inclined toward some greater regulation, as when he

pledged more aggressive efforts to clean up the environment.

Another signal came in his decision to keep Treasury Secretary Nicholas F. Brady, whose appointment in August followed his role as chairman of a presidential commission that studied the stock market crash of October 1987 and urged stiffer regulation of Wall Street.

C. Boyden Gray, who served on the deregulation task force and has been designated by the president-elect as White House counsel, said he expected Mr. Bush to have a "continued commitment to minimal regulation" except where public health and safety or congressional mandate made it impossible.

Deregulation has been a great success, Mr. Gray said, adding that there was little need to mention it in the fall campaign because "the system is fairly ingrained now."

But at the same time, Mr. Gray and others who fought regulations in the Reagan years now talk less of expanding that effort than of resisting congressional moves to reimpose them.

"Regulatory relief was one of the major priorities for the Reagan administration," said James C. Miller 3d, who was executive director of the deregulation task force before becoming director of the White House Office of Management and Budget.

"It certainly does not have that level of priority right now," Mr. Miller said. "We have to preserve what has been accomplished and hold the largely deregulatory gains in areas such as airlines and trucking."

That sentiment is put more bluntly by William A. Niskanen, a former member of Mr. Reagan's Council of Economic Advisors who is now president of the Cato Institute, a research group that promotes free market policies.

"I don't expect much deregulatory initiative from the Bush administration," he said. "Deregulation seems to be one of those things where the political costs are higher than the payoffs."

The outcry for renewed regulation comes not only from some members of Congress but also from interest groups like Public Citizen, an organization founded by Ralph Nader that recently published a scathing critique of the effects of deregulation.

The report asserted that Mr. Bush's task force had shown "a callous disregard for the value of human life and a shocking readiness to apply an accountant's spread sheet to rules that protect our lives."

In one of dozens of examples, it said that "at least 40,000 deaths and one million injuries can be traced to the administration's delay in requiring air bags and automatic safety belts in cars."

Senator John C. Danforth, Republican of Missouri, said it was unlikely that the new president would tolerate congressional moves for broad re-regulation of major industries.

"The fact that George Bush will be in the White House," he said, "should say to a lot of people in Congress that while re-regulation is something people talk about, it's not something that's going to happen."

In U.S., a Tax Tilt to the Rich?

Washington Weighs Shift From 'Fairness' to 'Efficiency'

By Peter T. Kilborn
New York Times Service

WASHINGTON — Beneath the debate in Washington over raising taxes lies a fundamental change in thinking about the federal tax system.

In most previous discussions, there was a strong emphasis on redistributing income from the well-off to the less well-off. But now, the tax system is being viewed as a tool to build a more efficient economy, not a fairer one.

The emphasis on efficiency tends to favor the rich.

Last week, Representative Dan Rostenkowski, an Illinois Democrat and chairman of the House Ways and Means Committee, which prepares tax laws, became the latest prominent figure to speak out in favor of consumption taxes as a means of cutting the budget deficit.

Since the poor spend a greater share of their incomes on consumption than the rich, consumption taxes are considered regressive.

The nation's income-tax system, which collects most government revenues, has long been progressive, levying higher rates on higher incomes.

"The next discussions are clearly going to focus on making the system less progressive," said Stuart E. Eizenstat, a lawyer who was the domestic policy adviser to former President Jimmy Carter.

"In that respect the climate has changed enormously. The equity argument has given way to the efficiency argument."

President-elect George Bush has insisted that he will not raise taxes. Despite his protests, many of the Democrats who control Congress,

and budget experts as well, contend that sooner or later new taxes will have to be raised.

Since its inception, one of the roles of the federal income tax has been to redistribute money from the well-off to the poor. Tax revenues went to finance such programs as food stamps, welfare and cut-rate loans.

The tax code also was used as an instrument of social policy.

Lately, other compelling priorities have been intruding upon the desire for redistribution and social cohesion.

Many experts say the government's priorities must be cutting the deficits and tackling some other problems, like people's reluctance to save, flagging industrial investment and the associated erosion of the American economy's competitive edge.

"The emphasis used to be on redistribution, and now it is on production," said Alvin Frum, the executive director of the Democratic Leadership Council, an association of moderate Democratic legislators.

Measures that are seen as increasing economic efficiency, like consumption taxes, tend to favor the rich. Consumption taxes are thought to contribute to economic efficiency by discouraging consumption and encouraging savings.

Congress and Bush advisers are even pondering tax incentives specifically to stimulate more saving.

Since it is easier for the rich to save than the poor, they benefit most in that respect, too.

Mr. Rostenkowski said his first

choice of a way to raise government revenue to lower the deficit would be a substantial rise in the gasoline tax.

His second choice would be increasing the excise taxes on alcohol and tobacco. All are consumption taxes.

He said he did not like the idea of a national sales tax, imposed on most of the things that people buy. That tax appears to stand little chance of enactment.

Few other leading Democratic lawmakers have been willing to take such a position as yet publicly. They say Mr. Bush will have to capitulate on his promise of no new taxes before they agree to increase.

Otherwise, they fear the new president might tag them the "tax and spend" Democrats as President Ronald Reagan did.

But they readily acknowledge a trend toward regressive taxation from both liberal and conservative economists, and most of them are about consumption taxes," said Senator Lloyd M. Bentsen of Texas, the Democratic vice presidential candidate who is chairman of the Senate Finance Committee, which also writes tax laws.

As a result of the overhaul of the tax system two years ago, income tax rates are lower now than they have been in decades.

Rates of 15 percent and 28 percent were set for most workers, displacing 14 tax brackets that went as high as 70 percent.

Although that change technically made the system less progressive, the overhaul also eliminated many loopholes that had allowed high-bracket taxpayers to reduce their bills.

Many members of Congress say they are most reluctant to touch either the new income tax rates or the payroll tax because of all the effort it took to enact the tax system overhaul two years ago and the overhaul of the Social Security System five years ago.

They deem the rates sacrosanct because of the compromises among competing interests that were required to revise the systems.

NEWS ANALYSIS

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Ireland** I.R.	155	118	85
Italy** I.T.	360,000	265,200	200,000
Luxembourg** L.P.	11,000	7,200	6,000
Netherlands** N.L.	600	492	340
Norway** N.K.	2,000	1,276	1,100
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Switzerland** S.F.	455	455	255
Rest of Europe, N. Africa, N. French Africa, Mid. East S.	470	Varies	240
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Central/Latin America S.	540		285

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Vast FBI Check Delays The Decision on Tower

By Bob Woodward and Charles R. Babcock
Washington Post Service

WASHINGTON — The final decision on former Senator John G. Tower's nomination as secretary of defense is being held up while the FBI conducts an exhaustive background investigation that one knowledgeable official has called "more thorough than any the FBI has ever done."

Transition officials for the Bush administration said the final decision on a defense secretary would probably not be made until after the FBI completed its investigation, which could take another two weeks or longer. The investigation began in earnest about 10 days ago and has included interviews as far away as Geneva, where Mr. Tower served as an arms-control negotiator in 1985-86.

Mr. Tower remains the leading candidate and as of Saturday no information had been turned up by the Federal Bureau of Investigation that would prevent the Texas Republican's nomination, officials said.

The extraordinarily broad FBI background investigation has involved interviews with Mr. Tower's former wife, former colleagues in the Senate and associates in his defense consulting business, as well as an examination of his personal and past campaign finances.

One focus of the inquiry is Mr. Tower's relationships with several military contractors that have paid him lucrative consulting fees over the past few years. They include Rockwell International Corp. and LTV Corp., major contractors for the B-1 bomber that Mr. Tower supported while a senior member and then chairman of the Senate Armed Services Committee.

"I feel sorry for him for John Tower," said one influential Bush transition official. He said that the FBI director, William S. Sessions, had met with Mr. Bush's counsel, C. Boyden Gray, and was told to

as thorough as possible in investigating Mr. Tower and other top appointees.

FBI officials said they feel the Bush transition team had set no limits on the full field investigations of top appointees.

These two issues have been at the core of eight difficult months of negotiations. The delegations have already met in London, Cairo, New York, twice in Geneva and four times in Brazzaville.

Preparations for their arrival were evident Sunday at the M'Baron Palace Hotel, where four floors of the riverfront hotel have been set aside for the visitors, as they were at the last round of talks.

The hope is that the negotiators will be able to conclude a protocol, possibly as early as Monday, that will clear the way for a transition to independence in Namibia and a simultaneous phased withdrawal of Cuban military force from neighboring Angola.

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SAVED FROM THE FLAMES — Maria Goodrum of the Granada Hills area of Los Angeles carries a pot of goldfish through the remains of her home. The house was one of more than 60 destroyed or damaged by several windswept blazes in recent days. Arson investigators were searching for two men seen in the area of one fire, which burned over 3,200 acres in the San Fernando Valley.

Common Extradition Laws Needed Against Terrorism, EC Ministers Say

By Paul Anastasi
New York Times Service

ATHENS — Interior and justice ministers of the European Community have agreed that common legislation on extradition is necessary to combat "the continuing threat from international terrorism."

Officials meeting here on Saturday exchanged charges, however, in a dispute over the refusal of some nations to extradite terrorist suspects.

Italian officials criticized Greece for releasing a Palestinian terrorist suspect this week, while the British representative called for harmonizing European legislation on extradition to prevent disputes like Britain's complaints against Ireland and Belgium over an Irish Catholic priest suspected of helping the outlawed Irish Republican Army. The Belgian cabinet recently refused Britain's request for the priest's extradition from a Brussels jail and instead flew him to Ireland.

At the end of the meeting of the EC's anti-terrorism working group, known as the Trevi group, the 12 member nations said in a statement that they had agreed to cooperate more closely and to exchange more information, especially about the extradition of suspected terrorists.

The communiqué did not reflect what were otherwise contentious meetings between the ministers. The Italian interior minister, Antonio Gava, said at the end of the conference that Italy had asked Greece to explain its decision last Tuesday to allow a Palestinian terrorist suspect to fly to freedom in Libya, instead of extraditing him to Italy as the two governments had previously agreed.

The Palestinian, Abdel Osama Zomar, 27, is wanted in connection with the 1982 bombing of a Rome synagogue, in which a 2-year-old boy was killed and 37 other persons were wounded.

Greece said it had released him because his activity was part of an effort to liberate his homeland and because matters had changed since

the Palestine Liberation Organization recently declared an independent state and criticized the use of terrorism.

Mr. Gava said the Greek decision was a "surprise and a disappointment, the opposite of our original agreement and a breach of the European commitment to combat terrorism." The United States also criticized the decision.

The Greek government dismissed the criticism. Sifis Valtyrakis, the undersecretary of public order, said that an explanation for the move "will be provided to the Italian government later, through diplomatic channels."

"This is not the first time that the problem of extradition has arisen," Mr. Valtyrakis said. "Each country has the right to make its decisions according to its national interests."

The ministers agreed that common European legislation on extradition should be pursued as a means of avoiding similar disputes. Britain suggested that all members should sign the European convention on extradition, and that each nation's legislation should be adapted accordingly.

The Trevi group meeting was attended by senior U.S. officials, including Attorney General Richard L. Thornburgh; William S. Sessions, director of the Federal Bureau of Investigation; and Paul L. Bremer, head of the State Department's anti-terrorism section.

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Talks on Namibia Are Expected In Brazzaville

By Paul Anastasi
New York Times Service

BRAZZAVILLE, Congo — Angola, Cuba, South Africa and the United States are expected on Monday to resume their efforts to conclude a political settlement in southwestern Africa.

The new round of talks has not yet been announced, but diplomats familiar with the negotiations said they expected the delegations to converge on the Congolese capital on Monday.

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2 Palestinian Factions Assail Arafat on Israel

Compiled by Our Staff From Dispatches

DAMASCUS — A pro-Syrian Palestinian group has assailed Yasser Arafat for what it called his "capitulatory" statements in Stockholm, and Iran has said his recognition of Israel was "a crime against the whole Moslem world."

The Democratic Front for the Liberation of Palestine, headed by

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AMERICAN TOPICS

Neighborhoods Erect Anti-Crime Barriers

Crime is rising so sharply in the Miami-Fort Lauderdale area, that many people are barricading their streets in an effort to keep criminals out. The New York Times reports.

Sometimes just one street is blocked off to cars and thus to criminals cruising for easy targets. But sometimes whole neighborhoods are blocked off by bright orange barrels or by gateposts, forcing cars onto main thoroughfares. Some neighborhoods also have checkpoints where private guards stop cars, question drivers and make notes of license plate numbers.

The barricades usually are erected after a vote by neighborhood residents and approval by the county commission, which then sets up a special tax district to pay for them. In one well-to-do enclave of 600 dwellings, one main entrance has been barricaded and a gatehouse has been installed at the other. This will cost each household \$365 the first year and \$160 a year thereafter.

Lawyers say the barricades are legal because they close the street to all motorists, not just some.

Even some law enforcement officials are now saying publicly that rising crime is a problem beyond the control of the police, the courts and the prison system. Homicides in Miami's Dade County number 395 so far this year, up 20 percent over last year. Crime is rising elsewhere. In Washington, homicides are up

60 percent, in Houston, 40 percent; in New York City, 17 percent.

On Stowing a Purse When Out to Dinner

How and where can a lady stow her purse when she is out to dinner? Sarah Booth Conroy, who covers such social puzzles for The Washington Post, says a lady with a purse can:

- Lock it in her car trunk if she has a car.
- Put it on the floor and either hook the strap around the head of her shoe or a leg of her chair, the better not to kick it across the room.
- Hang it from the back of her chair (careful, though—it might collide messily with a serving platter).
- Put it on her lap and hope it doesn't slither to the floor.
- At private dinners, stow it in a bookcase or behind the sofa and hope the dog or the children don't find it before she retrieves it.

"Do not despair!" Ms. Conroy counsels. "A way exists to deal with the situation. You give your bag to your husband/date. Let him worry about it."

Short Takes

Next year, while France celebrates the 200th anniversary of its revolution, Texas will observe the 150th anniversary of France's diplomatic recognition of the Republic of Texas. So Henri Bonabe, 38, a Frenchman who arrived in Austin, Texas, a decade ago and now heads a wine company there, sent two cases of Texas champagne — sparkling wine — with a Texas delegation to a Paris meeting of the American Committee for the French Revolution and Human Rights. He said he hopes to send

over "several hundred cases" during the coming year.

More and more advertisers are parodying their own messages. A newspaper ad for the new film "The Naked Gun" says, "You've read the ad. Now see the movie!" Miller Lite Beer is endorsed on television by a smooth-talking celebrity spokesman who intones, "I'm not a beer drinker, but I play one on TV." In another Miller Lite commercial, a man with huge bundle of cash stuffed into his sports jacket attracts interest from two pretty women as the announcer says, "Studies show that you're 79 percent more likely to meet an attractive woman drinking a Lite low-neck and carrying \$1 million cash."

Notes About People

The series of policy recommendations to members of the incoming Bush administration includes one from Donald Rumsfeld, who was President Gerald R. Ford's chief of staff. He recommends, "Never say 'The White House wants' — buildings don't want." And "don't forget that the 50 or so invitations you receive a week are sent not because those people are just dying to see you but because of the position you hold. If you don't believe me, ask one of your predecessors how fast they stop."

Senator Bill Bradley of New Jersey, who campaigned in 24 states for the Democratic ticket during the presidential campaign, says that on his travels he found that "kids always ask the most obvious and the most difficult questions, like 'Why are you a senator?' Not so easy to answer."

Arthur Higbee

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3 U.S. Soldiers Die in Italy

The Associated Press

VICENZA, Italy — Three U.S. soldiers died when their car went off a bridge and landed upside down in a river, the army said Saturday.

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Flow of Global Aid in Quake Biggest Since Postwar Period

By Richard Homan
Washington Post Service
WASHINGTON — An outpouring of international assistance unmatched since the period just after World War II is being sent to the Soviet Union to help the relief effort after the earthquake in Armenia.

Three cargo planes carrying U.S. medical supplies and rescue teams, including dogs trained to find survivors in rubble, left Washington and a base in Italy on Saturday for Yerevan, the Armenian capital.

Other plane loads and offers of aid came from around the world — including a 42-member medical team from India, 200 rescue workers and doctors from France, a donation of blood from President Fidel Castro of Cuba and a personal message and contribution of \$100,000 from Pope John Paul II.

ARMENIA: Quake Relief Slowed

(Continued from page 1)

situated in an area of frequent earthquakes.

Choking back tears, the mayor said he lost 15 relatives, including his wife.

Hundreds of bonfires fueled by cardboard and other debris provided the only heat for people who had spent four nights on the streets.

Smoke from the fires hung over the city.

Everywhere, officials and rescuers pleaded for more cranes and heavy equipment to drag slabs of concrete and twisted pillars off of trapped victims.

At one site, rescuers worked feverishly with saws, torches, hammers and crowbars to free a family of seven discovered in the rubble of a nine-story apartment building.

A Swiss rescuer, Heinz Brocht, said his team had used search dogs on Saturday to locate five survivors.

But he said the work was difficult because of the scale of the destruction.

Another rescuer, Manuel Zalyan, said, "If the equipment had come on time, we could have saved many more people."

Mr. Zalyan had just finished searching a fastened five-story apartment building that had housed 50 families.

Relief from abroad continued to flow in.

"The relief effort until you reach the spot here has been very good," said Sverre Klilde, a United Nations relief official.

"But here on the spot there is no control."

"For those who still could be saved they would need more heavy equipment." But for many, he said, it would be too late because the equipment was arriving so slowly.

Mr. Gorbachev said 3,900 soldiers from the region who were performing military service throughout the country were being granted leave to return home to join their relatives.

Mr. Khrushchev told reporters the newer apartment buildings had been constructed to withstand a shock of 7 to 8 on the 12-point Mercalli scale, which measures the intensity of an earthquake.

He said the quake registered 10 in Leninakan, and the buildings crumbled.

Kagik Avakyan, a 27-year-old sculptor, said that until 20 years ago most buildings in Leninakan were built low because of the danger of earthquakes.

"People knew there were often earthquakes here," he said, "so they didn't build anything bigger than two stories."

In his interview concerning the ethnic dispute, Mr. Gorbachev warned Armenians that they must stop their campaign to gain control of the disputed territory of Nagorno-Karabakh, a largely Armenian enclave in the neighboring Azerbaijan Republic.

He condemned nationalist leaders as "political adventurers."

Clenching his fist and punching a finger in the air, Mr. Gorbachev made it clear that he was exasperated with the Armenians' territorial demand, which the Kremlin has rejected.

"Stop," he said repeatedly, adding that he had told 100 Azerbaijani and Armenian representatives at a meeting in Moscow late last month that the campaign must halt "because beyond there is a precipice."

Mr. Gorbachev called "corrupt and dishonest" those who have been "putting pressure on the government" over Nagorno-Karabakh.

He condemned those who said that Armenians would be "sent to Siberia," apparently referring to local fears that survivors of the earthquake would be evacuated outside the republic.

"These are the kind of people who want power," he said. "They must be stopped."

Mr. Gorbachev did not refer specifically to the Karabakh Committee, an unofficial group that has led a 10-month campaign for the transfer to Armenia of the Azerbaijan-administered enclave of Nagorno-Karabakh.

Five members of the committee were arrested on Saturday, four of them sentenced to 30 days in jail, according to Armenian sources in Yerevan. The fifth, a member of the Armenian parliament, was later freed, the sources said.

The generous response from abroad, and the Soviet willingness to accept it, are evidence of an about-face in the Kremlin's dealings with the outside world, in the view of many observers.

As recently as the Chernobyl nuclear power plant disaster in April 1986, the Soviet Union refused offers of outside assistance, except for the aid of some American physicians who were experts in illnesses caused by radiation exposure.

This time, Soviet officials quickly made up lists of their most urgent needs, said Julia V. Taft, director of the Office of Foreign Disaster Assistance in the U.S. Agency for International Development.

The Soviets are allowing foreign relief planes to fly directly to Yerevan and to Leninakan, one of the hardest-hit cities. On Friday, the Soviet press agency Tass reported, 180 planes landed at Leninakan, where only four or five flights normally land daily.

A Dutch medical relief crew was refused visas, the Associated Press reported from Amsterdam. A Red Cross official in Amsterdam, who asked not to be named, said that Soviet diplomats had asserted that no more foreign relief was needed.

U.S. relief planes left Saturday from Andrews Air Force Base and Dulles Airport outside Washington and a military base at Pisa, Italy, according to the Agency for International Development.

In addition to carrying teams of trained dogs, the plane from Dulles carried relief supplies and a six-doctor trauma unit, including Dr. Robert Gale of the University of California at Los Angeles, who helped the Soviets treat victims of the Chernobyl accident, United Press International reported.

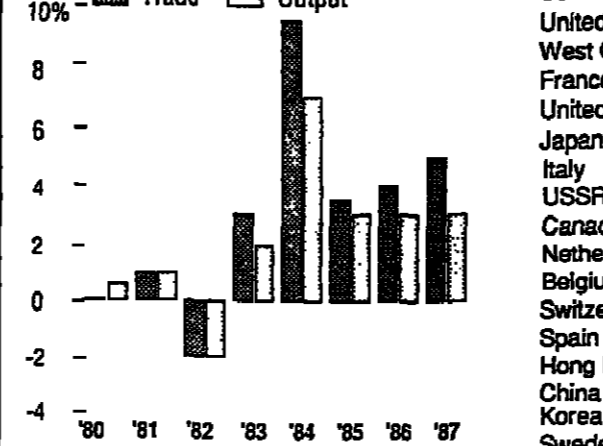
The American industrialist Armand Hammer, head of Occidental Petroleum Corp., flew to Armenia on Saturday with a donation of \$1 million and medical supplies, UPI reported.

The Polish government pledged tents and medical supplies, and Lech Walesa, leader of the banned Solidarity labor union, urged Polish workers to contribute to a Roman Catholic Church fund for Armenia, the AP reported.

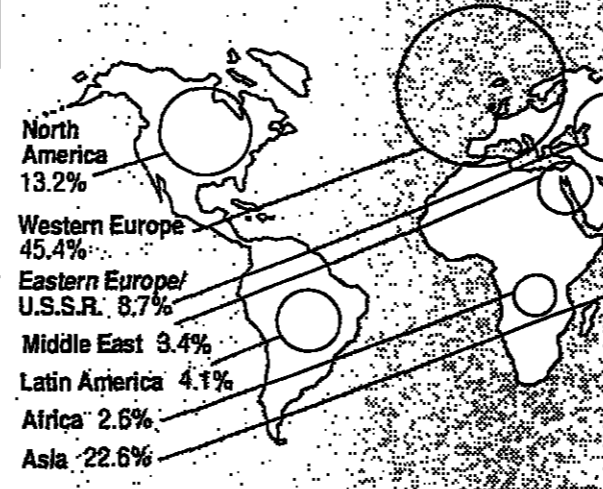
Britain, West Germany and Italy have also responded with aid.

The Accelerating Growth of Trade

Merchandise Trade and Output
Percentage change over preceding year



Merchandise Exports
By Geographic Region
Share in value of world trade in 1987.



Exporters and Importers

Leading exporters and importers by share in world merchandise trade in 1987-1988.

Country	Exports	Imports
United States	16.5%	11.9%
West Germany	8.9	11.9
France	6.2	6.0
United Kingdom	6.0	5.3
Japan	5.9	9.3
Italy	4.9	4.7
USSR	3.7	4.4
Canada	3.6	3.9
Netherlands	3.5	3.7
Belgium/Luxembourg	3.2	3.4
Switzerland	2.0	1.8
Spain	1.9	1.4
Hong Kong	1.9	2.0
China	1.7	1.6
Korea	1.6	1.9
Sweden	1.6	1.8
Taiwan	1.3	2.2
Austria	1.3	1.1
Singapore	1.3	1.2
Australia	1.1	1.1

TRADE: Opposing Forces Face Off on Protectionism

(Continued from page 1)

he warned, it will not be able to create the planned single car market after 1992.

Japanese and Americans alike are alarmed by the European Community's adoption of the principle of "reciprocity" to guide its trade relations with other countries in its single market.

Although the Europeans insist that reciprocity would be used to free trade rather than impede it, the community's trading partners fear that it will lead to a "tit-for-tat" approach that would squeeze them out of Europe.

Ironically, as much of the world struggles to deregulate and open markets, the traditional leading advocates of free trade — the United States and Western Europe — are most frequently accused of harboring protectionist tendencies.

It was their blistering feud over farm subsidies that derailed the trade talks in Montreal.

European and American officials deny they have any intention of following the route toward protectionism that led to economic disaster in the 1930s.

As the world's two largest traders, the United States and the European Community have the most to lose from trade wars or a closing of world markets, officials insist.

The Japanese, and many others, have many of the same fears about trade practices in the United States as they do about Western Europe, particularly since the passage of the U.S.-Canada free-trade pact. They, and some Americans, fear that a resurgence of "economic nationalism" may occur.

In a clear reference to both the European Community and the United States, Foreign Minister Soukai Uno of Japan called on other countries last week to resist protectionism in the form of "inward-looking regionalism" that could lead to economic blocs.

The European Community and the United States themselves, with relations further soured by the dispute over farm subsidies, have exchanged charges over trade policy.

European officials have accused Washington of stirring up illusory fears of a Fortress Europe. U.S. officials have said it is up to the Europeans to prove that the fears are unjustified.

Many international officials argue strongly that there is no evidence the fears are being realized.

Protectionism, they say, normally thrives most strongly during economic recessions, when jobs are

most at risk and politicians most likely to ignore the economic case for free trade.

Although protectionist sentiment remains strong, there is no concrete evidence that it has dramatically changed trade policies — either in the European Community or the United States, these officials say.

And as long as the current economic expansion continues, traditional thinking suggests that it will continue to keep the protectionist excesses at bay.

The question is whether traditional rules still apply when the balance of power in the world economy is probably changing more fundamentally than at any time since the Industrial Revolution.

As long as the United States and Western Europe led the world in industrial development, they had an obvious interest in keeping other markets open. But now that other countries, led by Japan, are rapidly gaining ground, it is the Europeans and Americans who are on the defensive.

European business leaders have warned that increased competition in the European Community will heighten demands from European companies for external protection at the EC frontier, on grounds that they cannot be expected to simultaneously compete with Japan and their European rivals.

The fact that Prime Minister Margaret Thatcher of Britain has joined those warning about a Fortress Europe has actually increased concern, particularly in Washington.

The most recent concern about protectionist moves in the United States focuses on the trade bill passed this year. It provides for tougher action against nations indulging in "unfair" trading practices.

Echoing the European Community's defense of reciprocity, Washington insists that it is far less worrisome that it might have been, and is intended to force other markets open — not close American markets, many U.S. analysts agree.

"The United States has not embarked on a new policy and has not turned away from open trade and multilateralism," Joan E. Spero, senior vice president of American Express Co., said in a recent study.

"However," she added, "it has positioned itself to do so if the multilateral system breaks down."

Other economists have been more severe. The trade bill leaves more open door for protectionist legislation, Martin S. Feldstein,

former chairman of the president's Council of Economic Advisers, said recently.

David D. Hale, chief economist at Kemper Financial Services in Chicago, said that Americans were concerned by the issues of trade and foreign ownership that a failure by the Bush administration to develop a credible economic policy "could set the stage for an upsurge of American economic nationalism and populism that would destabilize the whole world economy during the early 1990s."

Mr. Hale argued that Mr. Reagan has been "the most protectionist president in American history," pushing the share of total U.S. imports that are subject to quotas or official restraint to 25 percent from 10 percent.

A number of American economists have questioned whether the classic Anglo-Saxon, free-market concept on which the postwar global trading system was based still fully applies to the world economy.

According to advocates of "strategic trade theory," there may be an economic argument for government intervention to promote specialization in key industries that should not be allowed to fall into foreign hands.

In a recent book, "Trading Places," Clyde Prestowitz, a former top U.S. trade negotiator, argued that the United States and Japan have such fundamentally different perceptions of what constitutes open markets and acceptable levels of government intervention that there is no practical alternative to managed trade between the two.

Classic, free-trade economists argue that such views will not become widely accepted in the United States or Europe.

Paul Krugman of the Massachusetts Institute of Technology, a proponent of the new trade theory, says that while it is "politically explosive," the theory has not yet led to any bursts of protectionism.

It is a further irony that just as some Western economic thinkers are re-examining the desirability of free trade, much of the rest of the world is moving toward increased trade liberalization.

Although they are still outside the Western framework, China and the Soviet Union are groping toward more open market systems.

Many formerly closed developing countries, from Mexico to Morocco and the Philippines to Brazil, are lowering commercial barriers.

In the major industrialized countries, on the other hand, the drift is in the opposite direction.

"We are seeing more often, product-by-product, country-by-country deals," Barber B. Conable, president of the World Bank, said in Montreal. "Mercantilistic proposals to carefully check trade balances with each trading partner are mooted frequently, as are threats to remove multilaterally agreed benefits if bilateral problems are not resolved."

That was the kind of problem that the free traders hoped to tackle in Montreal. Their aim was to give the international trading system a big push toward openness by pressing ahead with the latest bid to reform the trading system, the so-called Uruguay Round of negotiations.

Despite the setback last week, the multilateral effort will continue. But it was a telling sign that the talks failed in Montreal because of a bilateral dispute.

"In textiles, in clothing, in agriculture, in autos and in many other products," Mr. Conable said, "managed trade is not a threat but a reality."

The United States, Japan and the European Community, he said, should all have a strong interest in an open, multilateral trading system, "but today that vision has changed."

"What is now at stake," he added, "is nothing less than the open, multilaterally agreed trade environment."

Tomorrow: Japan is worried.

The Free-Trade Forces Count on Thatcher's Aid To Keep EC Door Open

By Warren Getler
International Herald Tribune

LONDON — With Washington and Tokyo worried that the creation of a single European market after 1992 will further restrict their access to 320 million consumers, officials in both capitals are looking to Margaret Thatcher to prevent the European Community from becoming an exclusive economic club.

The Americans and the Japanese hope that the British prime minister will persuade European leaders to keep a recent pledge to prevent the march toward a community free of internal economic barriers from becoming an excuse for more protectionism.

"1992 Europe will not close in on itself," Mrs. Thatcher said this month at a meeting between EC leaders in Greece, where the 12 community members made their pledge after she had bluntly prodded them. It "will not be a Fortress Europe."

That is the kind of tough talk that American and Japanese officials and business executives want to hear, but many remain doubtful about EC moves.

"We strongly support the view taken by Mrs. Thatcher, who has a strong voice in world affairs, in favor of free trade," said Katsumi Sezaki, charge d'affaires at the Japanese Embassy in London. "A closed European market would be disastrous."

Yet Mrs. Thatcher alone will not be able to ensure open access in the European Community, experts say. She will need help from her freetrading friends in West Germany, the Netherlands and Denmark.

Martin Bangemann, the former West German economics minister, who will become a member of the EC Commission next year, may prove to be an important ally.

"Free trade has still to be stoutly defended," he wrote recently, "especially in democracies where people look to their own narrow interests."

Fortress Europe would be anathema to Britain for several reasons. Britain trades with non-EC countries to a greater degree than other EC members. It is also by far the largest direct investor in the United States.

Mrs. Thatcher drove home the point to members of Parliament last month when she rejected calls for more protection against foreign takeovers of British companies. She noted that in the year ending in June, the value of acquisitions in Britain by foreign companies totaled \$2.9 billion (\$5.36 billion), compared with British takeovers abroad worth \$13.7 billion.

If the United States were to retaliate against Europe for protectionist policies, said Brendan

Brown, a senior economist with National Westminster Bank PLC in London. "London would have a lot to lose."

But over the long run, several factors appear to limit Mrs. Thatcher's influence in guaranteeing outside access to the single European market. She has antagonized many politicians in other European countries by describing their visions for wide-ranging social and economic integration as "airy-fairy." If she is unwilling to be a "team player" on internal EC policy matters, what weight will she have in forging external trade policy?

In addition, her government's record on authorizing foreign takeovers of British companies is spotty.

For example, Britain did not approve a merger of British Caledonian Airways with Scandinavian Airline Systems, and it forced the Kuwait Investment Office, an investment arm of the Kuwaiti government, to sharply reduce its stake in British Petroleum PLC.

A senior American diplomat in London said that Mrs. Thatcher, who has campaigned forcefully to reduce EC agricultural subsidies and has sought to limit national aid to the British partner in the European Airbus consortium, shares some "American suspicions" about EC preferences for protectionism.

But he said it would be "counterproductive" if the British leader were to be seen as doing Washington's bidding in Europe.

"The British have to be careful not to appear as an Atlantic Trojan horse," the diplomat said.

Pacific Nations Warn on Trade

TOKYO — Japanese and Australian politicians warned the United States and Western Europe on Sunday against forming blocs that hinder free trade and called for more cooperation in the Asia-Pacific region.

Both Trade Minister Hajime Tamura of Japan and former Prime Minister Malcolm Fraser of Australia voiced concern that economic integration in Western Europe in 1992 and a recent trade pact between the United States and Canada could lead to increased protectionism.

Mr. Fraser called for Japan and Australia to take the lead in forming a trade association in the Asia-Pacific region designed to lead to more open markets worldwide. Although the association would be open to countries outside the region, it would also help shield smaller Asian-Pacific nations against protectionism, he said.

KABUL: Up-and-Out Deadline

(Continued from page 1)

Soviet carrier, serve Kabul. Ariana's foreign flights are limited to New Delhi, Moscow and sometimes Dubai, in the United Arab Emirates, but the Soviet Union and Dubai admit only official Afghan visitors.

The Kabul authorities have recently made it easier for citizens to receive passports. Some Afghans and diplomats speculate that Soviet advisers apparently counseled the action to rid Kabul of people of means, who may be assumed to be hostile to communism.

Others report that passports are issued in return for bribes. The fees are said to be whatever the market can bear, with heavy supplements for young men nearing draft age. No one knows for sure in this city of rumors, where the small foreign community spends social evenings trading unconfessional tales, and Afghans remain discreet.

Some Afghans are letting it be known, truthfully or not, among their friends and neighbors that they no longer belong to the ruling People's Democratic Party.

Unlike other cities that have neared deadlines beyond which they may be bad times, Kabul is not a place where local residents confide their worries to outsiders. With the approach of the Feb. 15 deadline,

VIETNAM: War Postmortem

(Continued from page 1)

were officers involved in directing Hanoi's war effort. Foreign Minister Nguyen Co Thach addressed the opening session.

"There was a level of mutual respect and openness that I've never experienced in another socialist country," said Professor Allen Whiting, a scholar on China and director of the Center for East Asian Studies at the University of Arizona.

He added: "I don't think anyone would have expected them to be as candid and frank in the sharing of information as they were."

He said the exchange between the Vietnamese and the Americans all noted scholars of Vietnam and Asia from American institutions — had taken place without political rhetoric from either delegation.

"Neither side felt compelled to apologize or to boast," he said.

A full half-day of the conference was devoted to the Tet offensive. According to the American participants, their Vietnamese counterparts appeared to acknowledge for the first time that the offensive had depleted Communist military strength in the South.

Tet, or the Lunar New Year, was the surprise attack launched by Viet Cong forces against all major cities, towns and military bases throughout South Vietnam, beginning Jan. 31, 1968. The offensive brought the conflict for the first time into South Vietnam's major urban centers, and it shifted American public opinion decidedly against the war.

Mr. Whiting, who has written extensively about China's role in the war, said the Vietnamese had confirmed that there were a far greater number of Chinese advisers in the country assisting in the war effort — several thousand at one point — than had been publicly acknowledged before. He said Hanoi's acknowledgment of China's role seemed to signal Vietnamese willingness to normalize relations again with its northern neighbor, following a decade of tension and border clashes.

The American scholars said that in addition to learning from their Vietnamese hosts, they had helped the Vietnamese better understand the rationale behind the policy decisions made by different U.S. administrations.

For example, Mr. Whiting said he had explained the decision-making process of President John F. Kennedy and President Lyndon B. Johnson. Before the conference, Mr. Whiting said, Hanoi had appeared to believe that U.S. policy in Vietnam had followed a consistent line that had been laid down by President Dwight D. Eisenhower in 1954 and adhered to by all succeeding administrations.

CHINA: Regionalism a Challenge

(Continued from page 1)

turns back trucks that are carrying Jiangsu's scarce silk cocoons to Shanghai's factories.

Jiangsu wants to keep its silk for its own factories, and it does not care that they are not as efficient as Shanghai's.

Many municipalities have also ignored central government directives by offering foreign investors tax breaks and incentives that they had no authority to offer. And in Guangdong Province, many businesses openly flout laws forbidding child labor or stipulating working conditions.

A major test of wills is under way, as the central government in its current retrenchment tries to regain authority over localities. So far, Beijing has had only limited success.

"The center doesn't really have the power to stop it," said Dwight H. Perkins, a Harvard University economics professor who has written extensively about China's development. "Or it doesn't want to use that power."

Other economists and diplomats agree that decentralization has assumed a dynamic of its own, and — short of extremely harsh measures that Beijing would be reluctant to take — it will not be easy to reverse.

It is not clear how decentralization will affect development. On the one hand, it could accel-

erate the drift toward market economics. In the early 1980s, for example, many communes moved faster than the government intended in dividing up the land into privately farmed plots. If unimpeded, municipalities in the late 1980s might also go beyond central directives in encouraging private enterprise and free markets in housing and securities, for example.

A lack of supervision might also foster political relaxation. A Western diplomat said a campaign last year against "bourgeois liberalization," by leaders wary of rapid reforms, fizzled largely because the provinces refused to take up the cause.

On the other hand, decentralization does not necessarily mean more private enterprise, because local leaders may be less enthusiastic about the market than officials in Beijing.

For example, in rural Chengde Township, a thriving area not far from the city of Suzhou, local officials have more power than they ever had before — and they are using it to block individual enterprises.

"We don't encourage private enterprises," Xia Zhongping, a local Communist Party official, said. Mr. Xia said that the township favored collective enterprises because the township has authority to collect funds from them.

Some Hear Protectionism When EC Says Reciprocity

International Herald Tribune

As the European Community advances toward its single market, it says its trade policy will be guided by one harmless-sounding, but ambiguous word: reciprocity. For EC trading partners, that word sets off warning bells of protectionism.

The EC argues that other nations will benefit as much as EC countries from a single European market of 320 million consumers. In return, it wants comparable access to their markets.

It says it will apply reciprocity only where international rules do not already exist — largely in services like banking and insurance — and it will use the principle to open other markets, not close its own.

Reciprocity does not mean, the European Community says, that all its trading partners must offer identical concessions and adopt identical rules to those in the community. Nor is it seeking to balance trade in individual sectors, as some critics have suggested.

But neither the United States nor Japan are entirely reassured. The EC approach "could require countries to mirror the laws and regulations of the EC in order to have equal access to the internal market," Peter McPherson, deputy secretary of the U.S. Treasury, said recently.

The EC, for example, has argued that European banks cannot operate as freely in the United States as U.S. banks will be able to operate in the single EC market because the United States restricts interstate banking and bars banks from underwriting securities.

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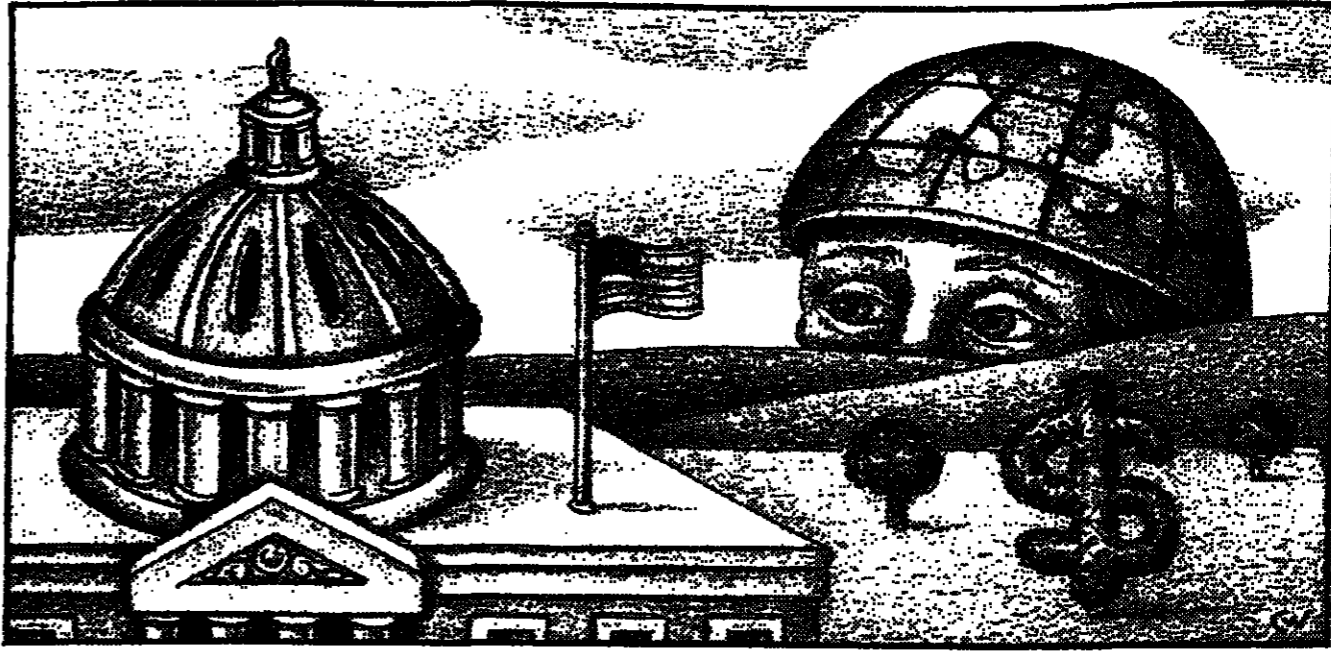
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PERSONAL INTERNATIONAL INVESTING

World Markets Turn a Wary Eye to Washington

TOKYO:

As market soars, Japan is an island of optimism.



The Tokyo Stock Exchange may seem inscrutable to foreign analysts, but insiders swear it moves according to its own unwritten rules. One of those rules is to kick off the year with a rally, even if good news is in short supply.

Last January was no exception. On opening day, the market struggled to overcome the lingering effects from the 1987 stock market crash. "Everyone was looking for some sign that the crash was behind us and that the new year would restore confidence in the markets," recalls a veteran of Kabuto-cho, Tokyo's Wall Street. "Instead, it looked like just the opposite."

Within a few hours after the market's close, however, Japan's powerful Ministry of Finance called top managers from the big four securities firms into a late night meeting to discuss the situation.

The next morning the ministry announced a loosening of accounting regulations for certain large institutional investors, most notably the cash-rich insurance companies whose portfolios had taken a beating in late 1987. The changes made it practical for them to hold on to large quantities of stock that they would otherwise have had to sell before closing their books in March.

Investment houses throughout Tokyo got the message. Buy orders began to pour in, and the market never looked back. Tokyo has recouped its pre-crash losses faster than any major exchange in the world and has been rising steadily since then.

The crash of 1987 is now seen within Kabuto-cho, not as a catastrophe but as a test, the ultimate proof of what many there had been saying privately

Continued On Page 8

NEW YORK:

The bears outnumber the bulls as Wall Street enters '89.

It has been a sobering year for the stock market, to say the least. Although there is a chance that the Dow Jones Industrial may wind up the year slightly better than where it began, investors may not be so lucky in 1989. Indeed, with interest rates up and investors confidence down, few advisers build a case for a rising equity market in the months ahead.

Instead, analysts warn that 1989 may be the first year in six to see more down days than up. "Nineteen eighty-nine will be a nibbling bear market, marked by a slow, drawn-out erosion in share prices," says Steven G. Einhorn, a portfolio strategist at Goldman, Sachs & Co.

A recent study by Investors Intelligence, which tracks market sentiment, found that only 21.1 percent of about 130 investment advisers surveyed are bullish about the future, while 55.3 percent were rated as bears. Michael Burke, editor of the report, says the level of bullishness is at its lowest since 1982.

At the core of investor concern are the trade and budget deficits. Some fear that failure to rectify the twin deficits will accelerate inflation and send

Continued On Page 8

Japan and cautious optimism in Europe. By contrast, the mood is somber in the United States and in Britain, where interest rates have risen in an effort to rein in fast growth.

In choosing between stocks and bonds, many global strategists are tending to stay light on equities for the time being. For example, Phillips & Drew, whose so-called benchmark global portfolio is 60 percent in equities, currently recommends only a 45 percent allocation to shares.

Generally, the firm has advocated taking some profits in European markets and using the proceeds to beef up the Japanese portion and nibble at attractively priced U.S. sectors.

Phillips & Drew would put 35 percent of the portfolio in bonds — the same weighting as the benchmark portfolio. It recommends a cash element of 20 percent versus the 5 percent liquid portion of the benchmark portfolio. The model portfolio for dollar-based investors devotes 45 percent of the stock portion and 45 percent of their bond portion to non-dollar securities.

The reticence about equities reflects a growing realization that corporate profits will be squeezed in 1989 after this year's strong growth. This pressure on profits in the major industrialized countries stems largely from the quickening pace of wages increases, higher

interest costs and generally slower economic growth.

Merrill Lynch's global strategy assumes that the 18 percent jump in Japanese corporate earnings for this year has already been reflected in share prices, and that next year's increase may only be 5 percent.

But Merrill believes earnings could hold up a bit better in Continental Europe because companies there recovered later from the negative effects of the strengthening in their home currencies.

For U.S. companies, Phillips & Drew believes profit growth next year could only be 7 percent compared with over 25 percent this year. Similarly, Salomon Brothers recently told clients that British forecasts for a 15 percent increase in profits were far too high, suggesting that actual earnings growth would be about half that.

With earnings momentum weakening, equity investors will be extra-sensitive to any signs that the expected easing economic growth in the seven major industrial countries to a forecast 2.6 percent next year from this year's estimated 4 percent might accelerate into a recession.

Any sharp, untimely fall in the dollar would likely be taken as a harbinger of hard times, sending investors rushing for the exits. □

BONDS

The Odds Favor Nondollar Bets

By Michael D. McNickle

Currency Outlook

Phillips & Drew 12-month forecast of dollar's value in key currencies.

Deutsche mark	1.60
Japanese yen	118
British Pound	1.73
French franc	5.57
Swiss franc	1.33

*Dollars per pound

ECONOMISTS appear mostly positive about the prospects for world bond markets in 1989. But international investors' skittishness about the dollar appears to be setting the stage for particularly strong performance by securities in other major currencies.

"We may have to wait till the end of the first quarter for the real move, but 1989 is going to be an exceptional year or bonds, and particularly international bonds," says David Bortman, co-manager of the T. Rowe Price International Bond Fund.

Unthreatening levels of inflation and the moderate economic growth forecast in the major economies for next year have created a generally upbeat attitude toward bonds for next year. But, as usual, currency trends could turn solid local gains in some markets into spectacular returns in dollar terms.

While economists differ in describing their scenarios for the coming months, virtually all see a further weakening in the dollar. By the end of 1989, the dollar could be 5 percent to 20 percent lower than its current value, according to currency specialists.

"There is a distinct possibility of a major downward shift in the dollar," agrees Mark Cliffe, Nomura Research Institute's chief economist in London. "And clearly that would point toward an outperformance by non-dollar markets."

The bearish attitude toward the dollar reflects economists' pessimism that the incoming Bush administration will be able to remedy the problems of the budget and trade deficits anytime soon. "You will see the exchange markets getting increasingly worried about the inability to do anything about the U.S. budget deficit," says Howard Flight of Guinness Flight, the London fund-management group.

But such pessimism does not mean that the interest rate outlook in the United States is dire. After the tightening of monetary policy through this year,

Continued On Page 10

GOLD

A Gold Rally Proves Elusive

By David C. Lanchner

FRED BOGART sums up this year's gold market in one word: "boring." Inflationary fears have not been strong enough to drive prices up and recessionary fears have been too weak to push them down, says the head of bond trading at Republic National Bank in New York. Little may change later in 1989.

Few analysts foresee gold prices — currently about \$430 an ounce — rising over \$450 for most of next year. Even if inflationary pressures continue as most analysts predict, it may be too slow to cheer the gold market to any great extent. Many analysts expect U.S. inflation to rise slightly to 4.7 percent next year from about 4.6 percent expected this year. Still, this might be sufficient to prevent a significant downturn in prices, and possibly set the stage for a rally in 1990.

Jeffrey Christian, the managing director of CPM Group, an international precious metals research and consulting firm, cautions that recessionary fears will grow in intensity as the year wears on. He believes there is a chance gold could move lower to between \$380 and \$390 an ounce, although he argues that this dip in prices is not reason enough to start selling.

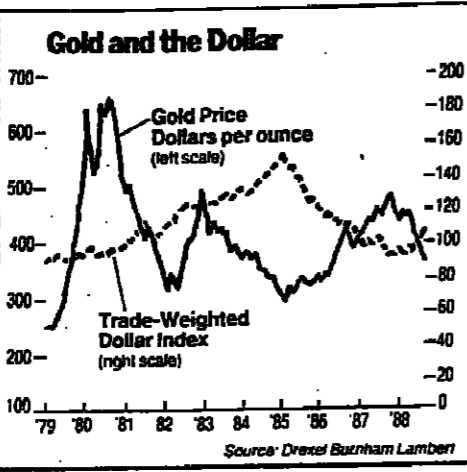
Indeed, most analysts expect prices to drop somewhat in the near term and believe investors should consider buying when gold declines to about \$420 for a sustained period on hopes that fundamentals will look better in 1990. Even though prices are likely to remain flat for some time, "gold's downside is fairly limited," says Rhona O'Connell, a precious metals analyst at Shearson Lehman Hutton in London.

Echoing the sentiments of other gold followers, Ms. O'Connell explains that demand from the Far East and Middle East should prevent gold from dipping much below \$400 an ounce for the foreseeable future. The reason is its relatively attractive price.

Gold, like all commodities, is priced in dollars. The Japanese yen, South Korea won and Taiwanese dollar have risen strongly against the U.S. currency, making gold look cheap to Asian investors. So far this year, Asian investors and buyers from the Middle East have absorbed 24.7 million ounces of gold, more than double what they consumed last year and roughly a third of all the gold sold this year, according to Mr. Christian.

Assuming a slow and continued erosion of the dollar in 1989, this level of consumption should hold fairly steady according to Ms. O'Connell and others. Of course, were the dollar to reverse and climb

Continued On Page 10



LONDON:

A hefty rise in interest rates darkens equities outlook.

As interest rates move higher, hopes for the stock market are growing dimmer. The steady rise in the base rate over the past six months — the key short-term rate climbed to 13 percent at the end of November compared with 7.5 percent in May — has market specialists worried that many British companies may find it tough going in the year ahead.

Indeed, while most strategists welcome a slower, more manageable economy, it remains to be seen whether the government's reliance on interest rates will produce the desired result. Critics of Chancellor of the Exchequer Nigel Lawson complain that his emphasis on rates to curb growth has caused dangerous delay.

The general view is that economic growth will slow to between 2.25 percent to 3.5 percent in 1989 from about 5.5 percent to 6 percent this year. And inflation, which showed signs of heating up last spring, will worsen next year partly because rate increases have made floating-rate mortgages costlier.

George Hodgson, an economist at Citicorp Scrimgeour Vickers, estimates inflation could peak at 7.5 percent next year before moderating to 6 percent by year-end.

A more worrisome development is the deficit in the current account, a broad measure of trade performance. Mr. Hodgson says the deficit will total between £14 billion and £15 billion this year with a prospect of further deterioration next year. The government's latest estimate shows the deficit at £13 billion pounds this year.

Analysts recall how news of the October's £2.43 billion deficit last Nov.

Continued On Page 9

EUROPE:

Solid gains are likely, but returns may lag 1988 levels.

Europe's Continental equity markets are expected to post good gains in 1989. And although the advance will probably be less impressive than this year's, analysts say these bourses are still likely to outperform New York and London.

Instead of the increases in corporate earnings that attracted investors in 1988, analysts are betting that next year's advance will be helped along by declining interest rates. Alistair Ross Goobey, James Capel's international investment strategist, believes rates will peak sometime in the first half and then be free to edge lower in response to a weakening dollar.

John Sandbach, European research manager for SBCI Savory Millin Ltd., sees the dollar falling to a 1989 average of 1.70 Deutsche marks from about a 1.77 this year. "A lot of what happens here next year will depend on the U.S. market, not European factors," he says.

In local currency terms, Mr. Ross Goobey believes the best markets may generate returns of 15 percent. "Our outlook for Europe in 1989 is slightly less positive than it was for 1988," he says.

Over the past 12 months, Continental markets have shown an average gain of almost 18 percent, according to Savory Millin.

Measured in dollar terms, Belgian equities were up 33 percent, while French and Spanish stocks have gained 27 percent. Dutch shares advanced 18 percent, and West German shares 13 percent.

Only Italy, up 8 percent, and Switzerland, 4 percent, lagged the 9 percent gain of the Standard & Poor's Composite index.

Of course, a host of local conditions will create varied dynamics and opportunities in the major continental markets.

Relatively immune to dollar fluctuations, the Spanish market should

Continued On Page 8



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Cold War No, It Isn't Over Yet
By Stephen S. Rosen
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50 YEARS AGO...

ASIA'S SMALL MARKETS

A Healthier Climate for Equities

Slower Asian growth may be a blessing.

By Coleen Geraghty

ASIAN economies are slowing down to a steady jog next year, a pace that bodes well for healthy advances in individual share prices and equity funds.

From Seoul to Singapore, the pulse of the region beats with a strength and vitality derived from low inflation, high employment and increasing foreign investment.

"Everything looks very positive for Asia," says Ophelia Tong, assistant director of Scimitar Asset Management, a division of Standard Chartered Bank.

"People expected a recession in America, and it never happened. They expected an export slowdown from Asia, but barring a few exceptions, that did not happen either."

The exceptions are Hong Kong and Taiwan, whose exports to the United States contracted in 1988, but whose robust consumer demand compensated for declines in external demand.

In fact, analysts said the slowing growth rates may be the perfect antidote for the inflation that threatens to overheat these two small economies.

Asia's four so-called Little Dragons — Hong Kong, Singapore, Taiwan and South Korea — together with neighboring Malaysia, Thailand and the Philippines, are still vulnerable in varying degrees to a slowdown in the U.S. economy.

They are also dependent, and America is their largest market, typically taking 35 percent to 40 percent of foreign shipments.

But as Americans gradually reduce their intake of Asian products, the economies of Southeast Asia, Taiwan and South Korea have been astute enough to seek new markets.

Exports from the Little Dragons to Japan, for example, are rising at about 45 percent a year.

This shift in export patterns has traumatized certain sectors, such as Hong Kong's toy makers and Singapore's electronics industry.

But corporate profits will remain generally healthy throughout Asia, analysts agree. They believe stock markets will continue to recover from the effects of Black Monday as the world moves into 1989.

HONG KONG: Undoubtedly the favorite regional market of foreign investors before last year's crash, Hong Kong was unable to recover as quickly as other markets. On Oct. 19 of this year, the Hang Seng Index was 32 percent below its Black Monday level.

"Hong Kong was perhaps too heavily weighted in institutional portfolios before the crash," observed Scimitar's Ms. Tong.

Investors looking only at the colony's slower export pace and rising inflation might tend to shun the market, when, in fact, Hong Kong equities offer remarkably good value, she said.

Based on 1989 earnings, the Hang Seng index is trading at a price/earnings multiple of about 10.

Property development and management companies are particularly undervalued, given the steady rise in rental fees, brisk demand for residential flats and the record prices paid at recent land auctions, Ms. Tong said.

County NatWest's Anthony Toth is also bullish on the property sector, favoring blue chips such as Hongkong Land, Cheung Kong,

Asian Growth May Slow in '89

Phillips & Drew estimates of real GNP growth in 1988 and 1989.

	1988	1989
Hong Kong	6.1%	4.6%
S.Korea	9.6	7.4
Singapore	9.6	6.1
Malaysia	8.4	5.9
Taiwan	7.0	6.2
Thailand	8.5	6.3
Philippines	6.5	5.2

New World Development and the Wharf Group.

On the negative side, the market tends to react in volatile fashion to real or perceived changes in Chinese politics, particularly those relevant to Hong Kong's status after British sovereignty ends in 1997.

Investors should also watch for signs that the government is preparing to sever the direct link between the Hong Kong and U.S. dollars.

Although officials insist that the link will remain intact, there has been pressure from top level Chinese businessmen to tie the Hong Kong unit to a basket of currencies.

SOUTH KOREA: After going into the doldrums during the summer Olympics, the Seoul market has bounced back strongly in the last several weeks.

The Korean market seems on its way to rivaling Hong Kong as the second largest market in Far East after Japan.

Part of the boom can be traced to the government move away from requiring financing institutions to take up issues of its so-called monetary stabilization bonds.

That freed up liquidity for investment in equities. Inflows of cash will also be the key to South Korean market performance next year, analysts say.

If liquidity remains high, "then we should see another good year in 1989," says Peter Thom, W.I. Carr representative in Seoul. The market has added allure for dollar-based investors who stand to gain from the Korean won's expected 10-percent appreciation against the U.S. currency next year.

Current, the market is trading at a price/earnings multiple of just over 20.

Although restrictions on direct foreign equity investment will not be relaxed substantially until about 1992, the government will allow the establishment of new trust funds and encourage the expansion of two existing funds, the \$100-million Korea Fund listed on the New York, and the \$60-million Korea-Emu Fund listed in London.

As a group, Korean unit trusts are trading at close to 50 percent premium of their net asset value.

TAIWAN: The Taipei market climbed more than 6,000 points this year to 8,789.78 this year before crumbling in September after a government announcement of plans to tax stock profits beginning in 1989.

The apparent withdrawal of many large investors had pulled the index down to 6,310.62 on Dec. 5. Though a few analysts argue that the restrictions that keep the increasing well-off Taiwan middle class from investing abroad seem likely to force money

back into the market, most observers say the market remains very risky. Despite the return downturn, the Taipei market trades a stratospheric 50 times earnings.

"We are not bullish on Taiwan simply because we believe the gains cannot continue," Ms. Tong says. "The market should come off to a least 4,000 when the capital gains tax comes into effect next year."

SINGAPORE: A booming tourist trade and a rising export trade with Japan will provide the major fillips to the Singapore economy in 1989.

In such a climate, Singapore International Airlines has become the darling of fund managers who believe this small city-state is enjoying an economic renaissance after the recession of 1985-86.

The company's interim results surpassed expectations, foreshadowing a 1989 pretax profit increase of 11 to 15 percent, analysts say.

Jardine Fleming Securities likes Jurong Shipyard as a play on the ship-repair sector, and Electro Magnetics, a small, high-growth firm aiming to become a VHS video cassette manufacturer.

Overall, the market trades at a reasonable 5.7 times earnings.

MALAYSIA: The steady depreciation of the Malaysian ringgit is expected to invigorate Malaysia's export sector in the coming months.

Faced with robust demand and depleted inventories, manufacturers should boost output, analysts said.

In this recovering market, Jardine Fleming prefers blue chip stocks like Sime Darby and Malaysian International Shipping.

"The medium outlook for the Singapore and Malaysian stock markets is still very favorable," according to a Jardine analyst.

"The markets are backed by strong fundamentals, and the downside risk is limited." However, Malaysia is trading at relatively high price-earnings ratio of 18.5, based on estimated 1989 earnings.

THAILAND: After a strong runup in the first half of 1988, the Bangkok stock market has languished, a victim of a round of interest rate increases.

But the well-balanced economy is expanding at a brisk pace, and analysts believe it is just a matter of time before several foreign funds created this year to focus on the Thai market start buying. The market is trading at a fairly reasonable multiple of 9.3 times forecast 1989 earnings.

"The Thai economy is growing at such a fast pace that infrastructure-related stocks have to be among the best buys," says Thornton Management's director, Peter Everington. He recommends Siam Cement, although its shares have already quadrupled this year.

"In small markets like Thailand, it pays to know the fundamentals and then go for quality," he advises.

THE PHILIPPINES: Mr. Everington, whose firm manages a fund specializing in Philippine shares, believes the Manila market offers "fantastic opportunities" if an investor stays with high-quality shares.

His favorites include Philippine Long Distance Telephone and San Miguel Brewery, which have long been the favorites of foreign fund managers.

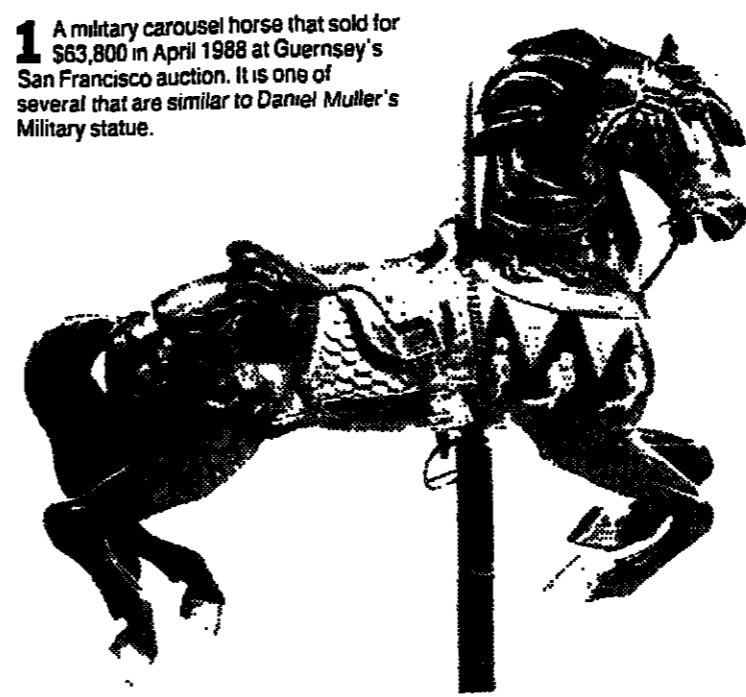
Philippine Long Distance also trades on the American Stock Exchange.

Although huge foreign debt and a trade deficit forecast at more than \$1 billion will hamper the administration's efforts at recovery, burgeoning consumer demand is a bright spot in the economic picture.

Trading at a 4.6 times price/earnings ratio (based on 1989 earnings projections), the Philippine stock market is regarded as holding little risk and good value.

COLLECTING

1 A military carousel horse that sold for \$63,800 in April 1988 at Guernsey's San Francisco auction. It is one of several that are similar to Daniel Muller's Military statue.



2 A cel from Walt Disney's 'The Orphan Benefit,' with Mickey Mouse peering onto the stage. It sold for \$121,000 at a Christie's auction on Nov. 10.



Three Markets to Watch in 1989

Prices are likely to continue to rise higher next year.

By Cynthia Catterson

THE ART and antique world has grown so accustomed to the mega-sale that a million-dollar price tag hardly raises headlines.

It takes tens of millions to raise the eyebrows of the gallery and auction set.

"It's as though art fever has caught on worldwide," says Victor Wiener, director of the Appraisers Association of America.

A few years ago, if a work of art sold for more than a million dollars, it was big news. Today, a million-dollar sale almost draws a yawn.

All but the ultra-rich and big corporations have thus been priced out of the traditional markets of Old Masters, contemporary and modern art, and some periods of antiques.

As a result, Mr. Wiener says, collectors have turned to niche markets, where prices are rising but quality can be found at less than astronomical prices.

"Smart collectors know one thing: If you buy well, you'll never live to regret it," he says. "Rather than buying mediocre Impressionists, they aim for the best that their resources will buy in other fields."

Particularly sought after are objects where an increasing awareness of their rarity is likely to drive prices higher. Collectors also seek items that seem appropriate for display in a residence.

The lively, carved horses that adorned fairs-ground carousels, though standing 3 to 5 feet (9 to 1.5 meters), offer dramatic and colorful possibilities. Many of the richly detailed equine figures date from the early 1900s and are enjoying another wave of interest, according to Arlan Ertinger, president of Guernsey's, a New York auction house.

In the last few years, prices for carousel artwork by carvers such as Daniel C. Muller, Charles Carmel, Frank Carretta and the Denzel brothers have risen from 100 percent to 400 percent.

"Six years ago, these things averaged \$8,000 a piece," recalls Mr. Ertinger, who sold in June a piece designed by Mr. Muller for a record \$64,000. An upcoming December sale has drawn more than 700 inquiries, he says, a great deal more interest than has been generated by any previous carousel art sale.

Mr. Ertinger explains the burst of interest as a realization that most of today's merry-go-round animals are fiberglass and metal repro-

ductions of the original works. "People are realizing that the old, hand-carved animals have become an endangered species," he says.

Animation art is another area where the growing sense of the pieces' rarity is helping to drive up prices. Many of today's animated films are brought to the screen largely with the help of computerized graphics.

But the earlier cartoon movies were painstakingly particular creations in which artists hand-painted individual reverse-colored images on about 1,400 clear sheets of cellophane or acetate to create just one minute of film.

Today, those 10-by-12 inch (25-by-31 centimeter) single sheets, known as cels, as well as the animated drawings, storyboards and water-colored backgrounds that went along with producing each film command from \$300 and up. An original black and white cel of Mickey Mouse from Walt Disney's 1934 film, "The Orphan Benefit," for example, recently sold at a Christie's East auction for \$148,500, 10 times the estimate.

That set a record for the highest price paid for an animation cel. What's more, the amount was more than double the record-breaking sum paid for a similar quality Mickey cel from the 1933 short called "The Mad Doctor," which Christie's East sold in June for \$63,800.

"Animation art as Walt Disney knew it is becoming extinct," says Joshua Arfer, director of animation art at Christie's East. "Collectors are beginning to realize that not only

are these things rare commodities, they are as close as you can get to owning a piece of a favorite cartoon."

In general, Walt Disney characters and images of Mickey Mouse, in particular, are in the greatest demand. Black and white cels are rare and more valuable than color. Cels sold with the backgrounds that were used in the film are the scarcest, says Mr. Arfer, because a single background would be used to accompany as many as 5,000 cels.

Preliminary drawings and storyboards are also gaining interest among collectors who look for a less expensive way to accumulate animation art, he adds. A sketch of Pinocchio recently sold for \$800, for example, and the Snow White dwarf, Dopey, sold for \$1,000. A record \$11,100 was fetched for a 1932 pencil drawing of Mickey Mouse dancing over a boiling kettle from the film "Trader Mickey."

The estimate for that image had been \$1,000 to \$1,500.

ONE OF THE newest areas of collecting that bears watching is ceramics designed by established 20th-century artists known for their work in other mediums.

In the past, a handful of these ceramics were included in larger painting and sculpture sales.

But in October, Sotheby's held in London their first exclusive sale of jugs, plates, tiles and vases fashioned by such artists as Pablo Picasso, Georges Braque, Marc Chagall, Joan Miró and Fernand Léger. All but 11 of the 104 lots were sold, generating a total of \$1.2 million.

According to Melanie Clore, the director of Impressionist and Modern Art at Sotheby's London, who was in charge of the ceramics sale, such pottery gives collectors an opportunity to own a work created or designed by a modern master.

Although the highest price paid was a record \$125,000 for a hand-painted plate by Picasso, many pieces were estimated as low as \$1,000. These prices are relatively modest, considering that a single painting by Picasso entitled "Motherhood" sold for \$24.8 million at a Sotheby's Impressionist sale a month later.

Other areas of ceramics are also showing steep price rises. Cyril Frankel, head of contemporary ceramics at Bonhams auction house in London, reports that sales of pottery made by master ceramists since the early 1920s have continued to draw heavy interest from collectors.

Mr. Frankel says that prices for pots thrown by famous craftsmen such as Bernard Leach, Lucie Rie, Hans Coper and Elizabeth Fritsch have tripled in the last three years. Adding to the enthusiasm in the market in the last year, he says, was the issue by the British Post Office of a series of four stamps bearing the image of each potter, to commemorate the centenary of Mr. Leach's birth.



3 Melanie Clore of Sotheby's holding a Picasso plate with a portrait.

LONDON:

Continued From Page 7

25 prompted heavy selling that wiped more than \$8 billion off London share values and stripped more than 38 points from the FT-SE in the session. The index continued to sag as December opened, hitting 1,765 on Dec. 2, the lowest level since mid-September.

As if these domestic concerns were not enough, market specialists also are worried about events in Washington as the Bush administration deals with the budget deficit. How his actions are perceived on Wall Street, especially in terms of averting a crisis of confidence in the dollar, will influence

activity in London, analysts say. "In the short term, equities are weighted down by concerns about the dollar," says economist Bill Martin of UBS Phillips & Drew.

Given the economic uncertainties and the fact that higher interest rates are adding to the appeal of money market investments, analysts expect British equities to remain in a tight trading range.

Mr. Hodgson sees a range of 1,750 to 1,850 for the Financial Times Stock Exchange index of 100 leading shares. The average price/earnings multiple for the 488 industrial group shares, excluding oil and gas, will be 10.5, he says, with a yield of 4.6 percent in

1989. By comparison, the measures were 11.6 percent and 4.2 percent in late November.

Chris Chaitow, a technical analyst at Morgan Grenfell Securities, says his analysis places him in bear territory. He thinks London embarked on the second leg of the bear market in the closing days of November. The FT-SE will decline to 1,650 sometime in the spring or summer of next year, he says.

A fundamental assumption underlying Mr. Chaitow's outlook is that corporate profits are under attack. High interest rates will clobber consumers and hurt many companies, such as retailers.

The advice for investors, Mr. Chaitow says, is to sell cyclical stocks that have experienced strong margin improvements over the past few years.

Marybeth Nibley

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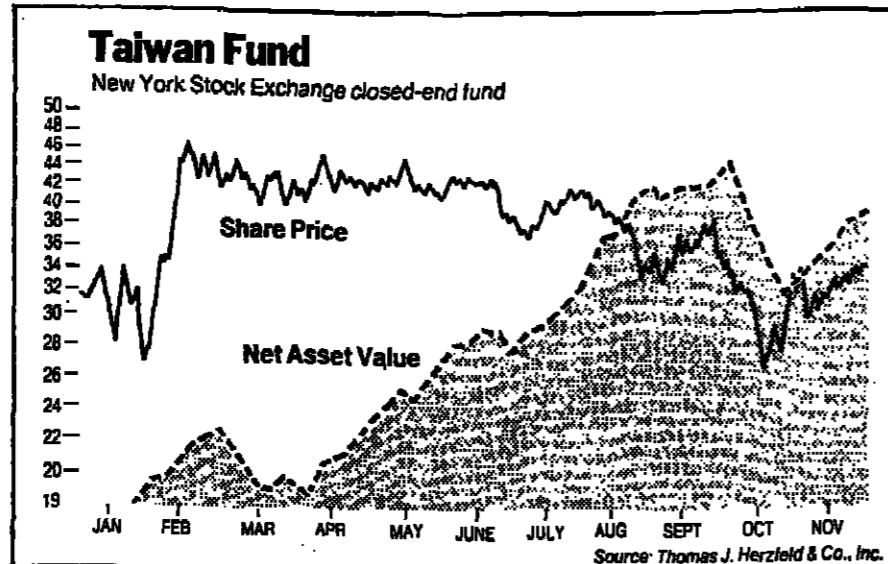
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FUNDS

Country Funds Can Frustrate

By David Lanchner

CLOSED-END funds specializing in the stocks of a single country may tempt investors who want to cash in on the potential of international markets. Yet those who take the plunge into some of the U.S.-listed funds may experience frustrations.



The problem is the erratic way the funds, which have fixed share bases, track the movement of the underlying assets. Share prices have often fallen sharply even as the underlying value of the assets has surged.

The country fund concept would seem to make the most sense in such situations as Taiwan and Korea, where the governments only allow foreigners to invest through designated funds.

THE clout of brokerage house recommendations can be seen in the differing fortunes of the two closed-end funds that invest in Spanish securities.

One reason that the institutional following of country funds remains so meager is the large number of alternatives for sophisticated investors who do not care to play the game of shifting discounts and premiums.

But even there, institutional investors have alternatives. For the Seoul market, institutions may purchase stakes in five offshore closed-end funds—called unit trusts—managed by Korean investment firms.

How this process will affect the price on the Korea Fund depends on many factors, including how far the government goes in opening the market and whether Korean shares remain in favor.

BONDS

The Odds Favor Nondollar Currencies

Continued From Page 7

some economists believe there may be room for the U.S. bond market to rally as the higher interest rates of the last several months begin to slow the economy and inflation fears recede.

Adding to the allure of German bonds is the prospect that the Deutsche mark will be the prime beneficiary of the dollar's decline.

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Mr. Bordinson notes that central banks in Germany, the Netherlands and France tightened monetary policy in the summer to defend their currencies with higher interest rates.

STRATEGY

Investors Go With the Cash Flow

By Bruce Hager

COMPANY financial statements can be used to derive a wealth of information about corporate health. But when Kenneth Hackel, president of a Fort Lee, New Jersey, money management and consulting firm, starts crunching the numbers, he zeros in on cash flow.

All companies have cash flow, either positive or negative. The "gross" measure of cash flow is simply the company's final profit plus depreciation—the amount it is allowed to reduce its taxable income because of wear and tear on plant and equipment.

THIS IS especially important should the U.S. economy slip into a recession, as some economists predict might happen next year.

November Market Scoreboard

Table showing market performance for New York Stock Exchange, American Stock Exchange, London Stock Exchange, and Tokyo Stock Exchange. Columns include Percent Change, Price Nov. 30, and various stock symbols.

I.P. Stevens, using its extra cash to finance the repurchase of its own shares and driving up the price.

Mr. Hackel and others using his approach like to say that cash flow does not lie. A company can distort earnings by using different depreciation techniques or timing the allocation of certain costs.

context of the company's financial record and compared with other firms, say money managers.

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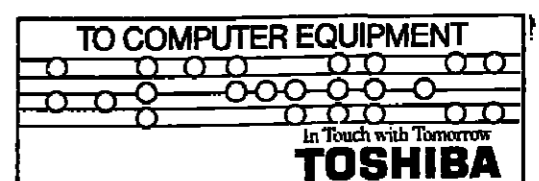
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Vertical sidebar containing various financial data, including Japanese Equity, Paris market news, and currency exchange rates.



MONDAY, DECEMBER 12, 1988

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EUROBONDS Japanese Planning Flood Of Equity-Linked Issues

By CARL GEWIRTZ International Herald Tribune PARIS—Bankers in Tokyo expect a flood of equity-linked issues to hit the Eurobond market next month...

Japanese issuers seek to tap the strong foreign demand for their shares.

Such high monthly volumes are not uncommon. As recently as last summer, the Japanese were flooding the Eurobond market with paper...

ISSUERS ARE now using the heavy demand—reflected in the trading premium—to reduce the coupons paid on the bonds.

For investors, the annual coupon on the Smith & Nephew paper is 8 1/2 percent—about double the current dividend on the stock of 4.4 percent.

The advantage to the issuers is that they get to deduct the annual coupon payment as an interest expense whereas dividend payments are not deductible.

Associated Newspapers Holdings, as it and other U.K. publishers have done before, turned to the market last week to finance part of its investment in Reuters.

The New Zealand-dollar issuers were high-quality names certain to attract retail investors—Unilever and the World Bank, both offering coupons of 14 percent.

The bigger Australian-dollar sector saw not only equally easy access to Eurobonds, says 13

Volcker Skeptical On Deficit

Former Fed Chief Warns on Growth

TOKYO—Paul A. Volcker, former head of the U.S. Federal Reserve Board, voiced doubts Sunday about the ability of the United States to take the tough steps needed to cut its huge budget deficit...

There is reason to doubt whether the change in policy will be made in a timely and effective way, he told a forum sponsored by the Tokyo Club Foundation for Global Studies.

Mr. Volcker repeated his call for an increase in the U.S. gasoline tax. A 30-cent-per-gallon increase over a period of time, combined with spending cuts, could balance the U.S. budget in four or five years, he said.

But he acknowledged that such a move would be politically difficult. Mr. Volcker emphasized the importance of stable currency rates, saying a weaker dollar would serve only to push up inflation in the United States.

He also voiced concern about the plight of heavily indebted developing countries. Third World nations must be able to count on receiving more loans in the future in return for putting their economies in better shape, said Mr. Volcker.

The Democratic co-chairman of the National Economic Commission said Sunday that new taxes would be needed to solve the U.S. budget deficit problem—a possibility not ruled out by his Republican counterpart, the Associated Press reported from Washington.

"I must tell you that in my judgment I have not found sufficient spending cuts to make up the shortfall," said Robert Strauss, one of two leaders of the advisory panel seeking deficit solutions.

Appearing with Mr. Strauss, the Republican co-chairman, Drew Lewis, sought to emphasize the panel's search for savings. But he mentioned, as "a last resort," a consumption tax adjusted according to individual ability to pay.

World Carmakers Drive Into Japan

Trailing Only the U.S., Market Is Too Large to Ignore

By Patrick L. Smith International Herald Tribune TOKYO—The task seems roughly akin to selling sand in the Sahara, ice in Alaska or coal in Newcastle, as the British saying has it: On the face of it, at least, the Japanese auto market might appear to be the last place foreign car makers would want to make a costly commitment to pushing their products.

For one thing, this is home turf for the world's most aggressive and competitive auto industry. For another, the slice of the pie claimed by foreign car companies is piddling—3 percent of a market worth 3 million cars—making it tough to match high sales costs with meager returns and unpromising growth.

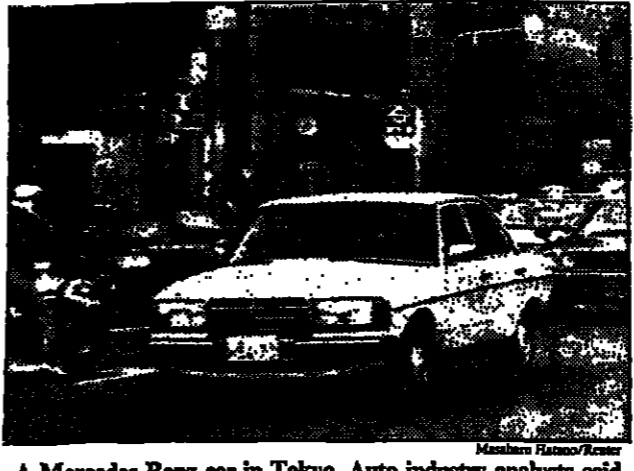
Nonetheless, U.S. and European automakers are almost uniformly gearing up for a major push into the middle and higher end of the Japanese market. And at the lower end of the scale, Korean auto makers, most of which already have technology and capital tie-ups with Japanese firms, are starting to feel their way along the wall.

In the past few weeks alone, Mercedes-Benz Japan Co. launched a joint-venture sales company with Mitsubishi Motors Corp., Automobiles Citroën unveiled plans to market subcompacts in Japan through Mazda Motor Corp., and Chrysler Corp., the third-ranked U.S. carmaker, set up a Japanese sales subsidiary in partnership with a local trading concern.

But nothing signifies the new commitment among foreign makers as dramatically as the listing last week of shares in Volkswagen AG on the Tokyo Stock Exchange. Was it strictly a matter of capital-raising? Not just: The VW listing was quickly followed by disclosure of plans to establish a wholly owned distribution and servicing network in Japan by next spring for Volkswagen and Audi models.

"Japan is more than just a financial market—it's everything," said Carl H. Hahn, Volkswagen's chairman, in an interview. "As people grow in sophistication and affluence, they'll be more inclined to buy European products. We're optimistic—very."

Lüder Paysen, president of BMW Japan, the leading foreign automaker in Japan.



A Mercedes-Benz car in Tokyo. Auto industry analysts said foreign companies could account for as much as 10 percent of the Japanese car market by the middle of the next decade.

Daewoo Offers 5 Units in Bid To Aid Shipyard

SEOUL—South Korea's giant Daewoo Corp. has offered to provide 200 billion won (\$291 million) toward a government-aided building of its shipyard unit by selling five subsidiary companies.

Kim Woo Chong, chairman of Daewoo, said in a report to Parliament on Saturday that the group would use 200 billion won from the disposal of five subsidiaries for building out the shipyard, the second-largest in South Korea.

The government has said that it would provide a financial aid package for Daewoo Shipbuilding & Heavy Machinery Ltd. but not without substantial help from the parent.

Government officials said the shipyard, more than 1 trillion won in debt, should be saved to avoid layoffs and other disruptions. The five subsidiaries concerned are Daewoo Investment & Finance, Korea Steel Chemical Co., Sorak Development Co., Shina Shipbuilding & Engineering Co. and Punguk Oil Co.

The Daewoo group has 28 member companies and is one of South Korea's four largest conglomerates. The group reported a combined profit of 35.2 billion won in 1987. But the shipbuilding subsidiary reported a loss of 69 billion won on sales of 514 billion won.

Daewoo has asked the government to order Korea Development Bank, a government-owned institution, to increase its 33 percent stockholding in Daewoo Shipbuilding.

The Daewoo Shipbuilding yard at Okpo on Koje island employs 14,000 people and has annual production capacity of 1.68 million gross metric tons of ships and structures.

All those jobs would be put at risk if the subsidiary were allowed to become bankrupt. Its collapse could also hurt lenders, in addition to the parent concern.

The subsidiary was hurt by the worldwide shipping and shipbuilding recession, the appreciation of the won against the dollar and a series of strikes early this year that resulted in wage increases of almost 40 percent.

The Daewoo group as a whole accounts for about 10 percent of South Korea's exports.

Key Producers Voice Support For OPEC Pact

Compiled by Our Staff From Dispatches KUWAIT—President-elect Carlos Andres Perez of Venezuela and Kuwait's emir, Sheikh Jabbar al Ahmad al Sabah, expressed support Sunday for OPEC's new output pact, the Venezuelan ambassador said.

Rafael Osuna said Mr. Perez, who is visiting Middle East oil producers, proposed the cartel hold a summit to discuss ways to strengthen the organization. The last Organization of Petroleum Exporting Countries summit was held in 1975 in Algiers.

The output agreement, reached in November, calls for OPEC to cut oil output by about four million barrels a day, to 18.5 million in the first half of next year, with the aim of raising the price of oil to \$18 a barrel from around \$14.

Meanwhile, Abu Dhabi, the largest oil producer of the seven United Arab Emirates, said it would abide by OPEC's production rules. But its statement did not say if the Emirates would return to their quota of 998,000 barrels a day.

Separately, Iran said it would respect its giant Abadan oil refinery in less than four months, part of a drive to repair facilities shattered during the Gulf War. (Reuters, UPI)

Latin Officials Seek Debt Strategies

By Richard House Washington Post Service RIO DE JANEIRO—Finance ministers of Latin America's seven key borrower nations are meeting here Sunday and Monday to seek ways of reducing the continent's \$410 billion debt burden without resorting to the formation of a debtors' cartel.

Their meeting comes at a time of deepening popular discontent with economic stagnation that has been caused, in part, by debt payments and will surely be the key issue in several election campaigns during 1989.

"If governments do not solve the debt problem there are serious risks that those who defend radical solutions will start winning elections," said Brazil's finance minister, Malson Fazzina da Nogueira.

Unlike the much-publicized 1984 inaugural meeting of 11 debtors in Cartagena, Colombia, which generated widespread concern but few results, the so-called Group of Eight's meeting promises to be more technical and discreet.

The group comprises Argentina, Brazil, Mexico, Colombia, Uruguay, Peru, Ecuador and Panama, whose membership is suspended. "Don't expect any new initiatives from Rio," said a Brazilian finance ministry official. "If any proposal is adopted, it will be sent upward to the presidents to be announced by them later."

Foreign bankers in Rio said they had been told by the government that the group's purpose is not to form a cartel, but to debate proposals for more orthodox ways of reducing the overall Latin debt, which would be discussed with creditor governments and banks.

After the humiliating failure of Brazil's 1987 moratorium on interest payments to secure negotiating advantages, the proposals before the ministers in Rio are of a non-confrontational nature, centering on the concept of debt forgiveness floated earlier this year by bankers.

With the banks retreating from the continent, each country approaches this week's talk with a slightly different agenda. President Raul Alfonsin of Argentina is demanding a nonconventional approach to the debt.

Currency Rates

Table with columns for Currency, 30-day, 60-day, 90-day, and 1-year rates. Includes sub-sections for Cross Rates and Other Dollar Values.

Holmes à Court Is Back With a Bang

MELBOURNE—Robert Holmes à Court, the Australian financier, has made an aggressive return to the stock market, saying he had taken a 6.9 percent stake in one of his former companies, currently the target of a bid from Bond Corp. Holdings.

Trebzor Holdings Pty. said Friday it was the mystery buyer that had been pushing the price of J.N. Taylor Holdings Ltd. beyond Bond's offer price of 2.20 Australian dollars (\$1.91) a share.

Geoff Cornish, an aide of Mr. Holmes à Court and Trebzor company secretary, said that Trebzor was controlled by the former billionaire.

Mr. Holmes à Court, once Australia's most feared corporate raider, did not recover from last October's stock market collapse and sold control of his flagship Bell group of companies earlier this year to Bond Corp. and others. The collapse trimmed his estimated fortune to



Robert Holmes à Court around 300 million dollars from 1.4 billion.

Dollar Faces Fireworks On Welter of U.S. Data

By Carl Gewirtz International Herald Tribune PARIS—Last week's fireworks in the foreign-exchange market could be repeated this week, when a number of important U.S. economic statistics are due to be released, according to traders.

The most important will be Wednesday's report on the October trade deficit. Estimates of most analysts place the deficit between \$9.5 billion and \$10.5 billion, compared with a September shortfall of \$10.46 billion.

As there is considerable concern that the boost given to U.S. exports by the dollar's long decline from its 1985 highs may be running out of steam, a stable deficit could fuel speculation that a further drop in

the dollar is needed. By contrast, a reduction in the deficit could help calm such fears.

In addition, Washington will release DOLLAR, Page 13

Net Asset Value on December 1, 1988

Pacific Selection Fund N.V. U.S.\$0.02 per U.S.\$1 unit.

Pacific Selection Fund N.V.

Advertisement for COMPLETE AIRCRAFT MANAGEMENT SYSTEMS, featuring a jet airplane and contact information for Delta Aviation.

Royal Nepal Airlines Corporation Global Tender Notice

Royal Nepal Airlines Corporation, Kathmandu, Nepal invites tenders for the sale of its two HS-748 Series 2A Model 253 Turbo Propeller Aircrafts manufactured by British Aerospace, U.K. In As is where is condition. The aircrafts are presently in flying condition and are being maintained as per BA low utilization maintenance schedule. The aircrafts are available at Tribhuvan International Airport, Kathmandu for inspection.

Table with columns for Aircraft Registration, Date of Manufacture, Serial No., and Hours/Cycles As of 14.10.88. Lists aircraft 9N-AAU, 9N-AAV, 1671, and 1672.

The list will be provided along with the tender form. Interested parties can obtain tender forms by paying NER 500.00 or equivalent amount in our 'Special Account No. 020' with Nepal Rastra Bank, Banking Office, Thapathali, Kathmandu, Nepal, or by sending A/C Payee Draft in favor of Royal Nepal Airlines Corporation P.O. Box 401, Kathmandu, Nepal.

The tender forms must be accompanied by Bank Voucher of Bank Guarantee of 2.5 percent of total bid, deposited in the Corporation Account, the details of Bank Account No. will be provided along with the Tender form.

The last date of submission of tender is 45 days after the first publication of notice. All tenders received shall be opened in presence of all tenderers or their authorized representatives on the date notified to the tenderers by the corporation.

The company reserves the right to accept or reject any tender.

For further details, please contact: Director, Central Purchase & Stores, Royal Nepal Airlines Corporation, Tribhuvan International Airport, Kathmandu, Nepal. Site: KP2MTMRA, Tel: 4148/19, Fax: (977) 225 348.

Last Week's Markets

Table showing Stock Indexes (United States, DJ Inds., DJ URIL, etc.), Money Markets (Discount rate, Federal funds rate, etc.), and Forward Rates (30-day, 60-day, 90-day).

World Index from Hershon Stanley Capital Int'l.

Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01 323 11 30

Prices may vary according to market conditions and other factors.

Dollar Straights

Table of Dollar Straights bond prices including issuers like Australia, Canada, and New Zealand with columns for Issuer, Con, Mat, Price, Yld, and Trd.

Japan

Table of Japanese bond prices with columns for Issuer, Con, Mat, Price, Yld, and Trd.

France

Table of French bond prices with columns for Issuer, Con, Mat, Price, Yld, and Trd.

Scandinavia

Table of Scandinavian bond prices with columns for Issuer, Con, Mat, Price, Yld, and Trd.

Supranational

Table of Supranational bond prices with columns for Issuer, Con, Mat, Price, Yld, and Trd.

DM Straights

Table of DM Straights bond prices with columns for Issuer, Con, Mat, Price, Yld, and Trd.

DM Straights

Table of DM Straights bond prices with columns for Issuer, Con, Mat, Price, Yld, and Trd.

Yen Straights

Table of Yen Straights bond prices with columns for Issuer, Con, Mat, Price, Yld, and Trd.

Mutual Funds

Prices as at close of trading Friday

Large table of Mutual Funds with columns for Issuer, Con, Mat, Price, Yld, and Trd.

United Kingdom

Table of United Kingdom bond prices with columns for Issuer, Con, Mat, Price, Yld, and Trd.

United States

Table of United States bond prices with columns for Issuer, Con, Mat, Price, Yld, and Trd.

United States

Table of United States bond prices with columns for Issuer, Con, Mat, Price, Yld, and Trd.

United States

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United States

Table of United States bond prices with columns for Issuer, Con, Mat, Price, Yld, and Trd.

Vertical advertisement for Eurobonds and WestLB, featuring text about international bond trading and contact information for WestLB International S.A.

New International Bond Issues

Compiled by Bassam Aoun

Issuer	Amount (millions)	Mat.	Coups. %	Price	Price and week	Terms
FIXED-COUPON						
Industrial Bank of Japan Finance	\$200	1993	9%	101.45	99.65	Yield 9.46%, Noncallable, Fees 1.0%, (BII Int'l)
BHF Finance (Netherlands)	DM 100	1993	5 1/2	101	—	Noncallable, Fees undisclosed, (Berliner Handels)
Credit Suisse Finance Guernsey	DM 200	1994	5%	101%	99.83	Noncallable, Fees 2%, Payable in January, (CSF Effectbank)
Dai-ichi Kangyo Bank Nederland	DM 300	1994	5 1/2	101%	99.53	Noncallable, Fees 2%, Payable in January, (Morgan Stanley GMBH)
IKB International Luxembourg	DM 75	1994	5%	99%	—	Yield 5.50%, Noncallable, Fees undisclosed, (Industrieholding AG)
Sweden (Kingdom of)	DM 200	1994	5 1/2	101 1/4	99.15	Yield 4.96%, Noncallable, Fees 2%, Payable in January, (Morgan Stanley GMBH)
Trinkaus & Burkhardt Finance	DM 75	1993	5 1/2	101	—	Yield 5.27%, Noncallable, Fees undisclosed, (Trinkaus and Burkhardt KGAA)
Federal Express Finance	€75	1993	12%	101%	100.13	Noncallable, Callable at 100 if issue is received below an investment grade rating, Fees 1.0%, (Credit Suisse First Boston)
International Finance	Flus 10,000	1994	11%	99%	98.40	Noncallable, Fees 1.0%, (Morgan Guaranty)
Canadian Imperial Bank of Commerce (Singapore)	CS 75	1991	11%	101.35	100.23	Noncallable, Fees 1.0%, (Wood Gundy)
Copenhagen (City of)	CS 65	1994	10%	101 1/2	98.75	Noncallable, Fees 1.0%, (Deutsche Bank Capital Markets)
Federal Business Development Bank	CS 75	1991	10%	101 1/2	99.88	Noncallable, Fees 1.0%, (JP Morgan Securities)
Thomson Broad International	CS 75	1991	11%	101 1/2	—	Noncallable, Fees 1.0%, (Union Bank of Switzerland)
Alco	Aus 50	1992	14%	101 1/2	100.23	Yield 13.57%, Noncallable, Fees 1.0%, (Bayerische Vereinsbank)
Australian Telecommunications Commission	Aus 50	1992	12%	97	95.20	Noncallable, Fees 1.0%, Fungible with a Aus\$10 million bond issued on Oct. 22, (Sovereign Mortgage & Co.)
Eurofima	Aus 45	1992	14	101 1/2	99.65	Noncallable, Fees 1.0%, (Deutsche Bank Capital Markets)
Finance Company of South Australia	Aus 50	1991	15	101.60	100.35	Noncallable, Fees 1.0%, (Credit Commercial de France)
Primary Industry Bank of Australia	Aus 50	1992	14%	101 1/2	99.50	Noncallable, Fees 1.0%, (Westdeutsche Landesbank-Gesellschaft)
Unilever Capital	NZ\$ 60	1992	14	101 1/2	100.38	Noncallable, Fees 1.0%, (Hombors Bank)
World Bank	NZ\$ 75	1994	14	102	100.25	Noncallable, Fees 1.0%, (Hombors Bank)
Nippon Telegraph & Telephone	Y 50	2004	4.50	99	—	Yield 5.016%, Noncallable, Fees 1.0%, (Yonichi Securities)
EQUITY-LINKED						
Daiichi Kangyo Co.	\$100	1992	open	100	99.00	Coupon indicated of 4.0%, Noncallable, Each \$5,000 note with one warrant exercisable into company's shares of an expected 25% premium, Fees 2.0%, Terms to be set Dec. 13, (Nippon Securities Europe)
Life Co.	\$ 80	1992	open	100	99.75	Coupon indicated of 5.0%, Noncallable, Each \$5,000 note with one warrant exercisable into company's shares of an expected 25% premium, Fees 2.0%, Terms to be set Dec. 12, (Nippon Securities Co. Europe)
Nippon Stainless Steel Co.	\$100	1992	open	100	104.75	Coupon indicated of 4.0%, Noncallable, Each \$5,000 note with one warrant exercisable into company's shares of an expected 25% premium, Fees 2.0%, Terms to be set Dec. 12, (Nippon Int'l)
Sumitomo Rubber Industries	\$100	1992	4%	100	—	Noncallable, Each \$5,000 note with one warrant exercisable into company's shares of 1,056 yen per share, Fees 2.0%, (Daiwa Europe)
Tokyo Steel Co.	\$120	1992	open	100	108.50	Coupon indicated of 4.0%, Noncallable, Each \$5,000 note with one warrant exercisable into company's shares of an expected 25% premium, Fees 2.0%, Terms to be set Dec. 13, (Nippon Int'l)
Associated Newspapers Holdings	€ 60	2003	8%	100	98.75	Callable in 1993 at 101 declining to 100 in 1994, Issue is convertible into 100 shares of 53 pence per share, at 15.00% premium, At issuer's option, cash can be paid in lieu of stock, Fees 2.0%, (Barings Int'l)
Dawson Finance	€ 30	2004	9%	100	—	Callable in 1993 at 100, After 90 days each preference share is convertible into company's shares of 216 pence per share, at 10.00% premium to Wednesday's closing share price of 195.50, Fees 2.0%, (Credit Suisse First Boston)
Smith & Nephew Finance	€ 80	2004	8%	100	99.75	Callable in 1993 at 100, Each preference share is convertible into company's shares of 125.00 pence per share, at 10.00% premium, Fees 2.0%, (Credit Suisse First Boston)

Bank Regulators Put Off Ruling on Capital Notes

By Carl Gewirtz

International Herald Tribune
PARIS — Banking supervisors failed to resolve the question of whether commercial banks can count as core capital the money raised through the sale of subordinated perpetual floating-rate capital notes.

Meeting at the Bank for International Settlements in Basel, Switzerland at the start of the month, the supervisors appointed a committee to explore the issue and report back no later than the end of next March.

As a result, the scheduled sale of \$400 million of such notes by Banque Nationale de Paris is being delayed and may be canceled.

Although the notes have been placed with Japanese investors, the state-owned bank has reserved the right to not complete the sale and cancel the operation if the proceeds cannot be counted as Tier 1, or core capital, under the new international capital-adequacy guidelines established by supervisors under the aegis of the BIS.

Meanwhile, the first British-based bank to use the instrument will proceed with its offering. That is because the Royal Bank of Scotland, which has appointed Swiss Bank Corp. to arrange the sale of \$500 million such notes, is not seeking to have the proceeds counted as core capital but as Tier 2, or supplementary capital.

The only point troubling banking supervisors is whether the money raised qualifies as Tier 1 capital. There is no objection to Tier 2 status.

The difference between core and supplementary capital is significant. Under the new supervisory rules, by the end of 1992, international banks must have equity capital equal to a minimum of 8 percent of their risk-weighted assets.

Tier 1, or core capital, is a kind of high-powered money which determines how fast the bank can expand, since core capital has to account for at least 4 percent of the total 8 percent. By contrast, supplementary capital is restricted to counting for no more than half of a bank's equity capital.

Core capital must consist of either share capital or disclosed reserves, and ultimately, lower yields.

S.E. Canada Jr., a vice president of John Nuveen & Co.'s bond department, said that on the surface it appeared that two sectors of the bond market — Treasuries and municipals — "overreacted to events which might possibly affect the U.S. budget in future years but should have little immediate impact."

Shearson Lehman Hutton Inc.'s index of long-term Treasury bonds rose 22.54 points to 1,250.27 on Friday.

The latest 10-year Treasury notes rose to 98 22/32 from the previous week's 98 4/32, with the yield declining to 9.08 percent from 9.16 percent. Seven-year notes ended at 97 16/32 to yield 9.12 percent.

On Friday, the federal funds rate, which banks charge each other, traded at 8.5 percent without any move by the central bank to reduce it.

U.S. Consumer Rates
The Standard Bank Bond Buyer 30-Year Index rose 7.88 points to 7.88.

Euromarts At a Glance
Eurobond Yields
U.S. 6 1/2% 10/15/92 9 1/2 9.54

Weekly Sales
Liber Notes
U.S. 6 1/2% 10/15/92 9 1/2 9.54

which invests the money in zero-coupon U.S. government bonds. After 15 years, the maturity value of the zeros is equal to the amount needed to redeem the perpetuities.

Thereafter, the special trust owns the perpetuities which are essentially worthless.

The issuers can afford to pay such a high rate of return on the perpetuities because interest payments are a tax-deductible expense, whereas dividend payments on common stock or preferred shares are not.

This tax angle is said to explain why the Royal Bank of Scotland is willing to use the formula even though it is not seeking to have the proceeds considered as core capital.

The argument that the new instrument enables banks to escape the discipline of the marketplace is undercut by the fact that Banque Nationale de Paris and Credit Lyonnais — the first major bank to use the formula — are state-owned.

The current French government is opposed to privatizing the banks and, in its effort to reduce the overall budget deficit, is clearly loath to directly increase the banks' capital.

For BNP and Credit Lyonnais, the new instrument opens a way to raise capital from investors without diluting the state's ownership or calling on its resources.

However, the hard-liners among the supervisors challenge the notion that the perpetuities are comparable to equity.

They argued at the Basel meeting that equity is a shock absorber: Its value can be written down if a bank ever sustains substantial losses. The hard-liners challenge whether the perpetual notes have this capacity.

DOLLAR: U.S. Statistics Are Likely to Stir Market

(Continued from first finance page)

port retail sales Tuesday, industrial production and capacity utilization Thursday, and producer prices and housing starts Friday.

All these figures are for November and should help clarify whether or not the Federal Reserve Board needs to be tightening monetary policy to restrain a rate of expansion that is likely to fuel inflation.

The Fed's policy-making Open Market Committee will also be meeting this week.

The prospect of higher interest rates would be good news for the dollar.

Whatever the figures, traders expect the foreign-exchange market to overreact, as it did last week to the announcement Wednesday by Mikhail S. Gorbachev, the Soviet president, of a unilateral troop reduction.

The dollar soared to a weekly high of 1.7730 Deutsche marks from 1.7372 the day earlier and to 124.15 yen from 121.52.

By Friday's close in New York, the dollar was down to 1.7375 DM and 122.65 yen, but still above the previous week's close at 1.720 DM and 121.27 yen.

Currency dealers warn that trading in the year-end period, when most professional participants have withdrawn from the market to prepare their annual reports, tends to be particularly erratic.

Thus, the immediate aftermath to Mr. Gorbachev's speech had the United States significantly reducing its own defense spending and

thereby cutting its excessive budget deficit. Upon reflection, however, it was realized that such benefits may be long in coming.

"Because the U.S.S.R. now enjoys a huge advantage in conventional forces, the United States may not necessarily match the planned Soviet cuts," Salomon Brothers Inc., the New York investment bank, said in its weekly commentary.

"Economic limitations may inevitably squeeze the U.S. defense sector, but significant reductions in future military outlays are years away—even if defense spending is reduced below the zero real growth path now likely. Thus, a quick reduction in the budget deficit through curtailed defense spending appears unlikely," Salomon said.

Currency dealers agreed the dollar's initial surge was largely a reflection of the prevailing negative mood concerning the outlook for the currency. Positions that were open anticipated further dollar declines and had to be reversed, causing a temporary buying spree.

Nevertheless, the week's action shows that "the dollar is like a barrel of gunpowder, waiting to be ignited by the smallest puff of positive news," said Roland Scharf, treasurer at Hessische Landesbank in Frankfurt.

"Market sentiment is so totally pessimistic that anything positive could send the dollar soaring," he said.

Mr. Scharf said he doubted Friday's rumors circulating in Frankfurt that the Bundesbank would

Rate Inversion With a Fed Message

Compiled by Our Staff From Dispatches

NEW YORK — The 30-year U.S. Treasury bond ended last week higher even though short-term interest rates rose above long-term returns in the first across-the-board inversion of the yield curve since 1982, analysts said.

Peter Nienklaus, a bond market analyst for Salomon Brothers Inc., explained that such an inversion often a function of the Federal Reserve tightening the monetary system.

"The Fed is very interested in fighting inflation and it's Fed policy that is causing the inversion," he said.

At the close on Friday, the Treasury's 2-year notes were yielding 9.05 percent, compared with the 8.96 percent yield on the 30-year bonds.

The price of the long bond rose to 100 13/32 from 98 8/32 the previous Friday, when the yield was 9.17 percent.

Some analysts attributed a rally on Tuesday to rumors that Mikhail S. Gorbachev, the Soviet president, would offer to reduce Soviet troop strength. The rumors were confirmed the following day and financial markets rallied on speculation that the United States would also plan to cut conventional forces, which in turn would help reduce the budget deficit.

Others, however, said the bond market rally was caused by the flattening of the yield curve, which can be interpreted as a sign of an impending recession, and ultimately, lower yields.

Washington — The Federal Home Loan Bank Board said it has taken over the insolvent \$2.3 billion Silverado Banking Savings & Loan Association of Denver and will offer it for sale after providing \$1.05 billion in aid.

The merger said on Friday it was seeking multiple bids on Silverado, but industry officials said the most likely buyer was Ford Motor Co., particularly since Ford's First Nationwide Bank subsidiary was designated Friday to provide management to the institution. First Nationwide would not comment.

Ford Seen as Bidder For Failed Denver S&L

Paris — Credit Suisse and Dai-ichi Kangyo Bank reportedly swapped the proceeds of their issues into floating rate marks at levels around 50 basis points below the interbank offered rate. But the issues all traded outside fees paid to underwriters.

Bankers say that institutional investors, who can afford to evade the incoming withholding tax on West German domestic interest payments, prefer higher-yielding domestic government paper. Meanwhile retail investors see little attraction in Deutsche mark Eurobonds since the higher yields available elsewhere appear more than adequate to compensate for possible currency changes.

The only U.S. company to tap the market last week was Federal Express Corp., which sold \$75 million of five-year bonds. To overcome investor concern about "event risk" of U.S. names, the company undertook to redeem the bonds at par if its credit rating, currently single-A, ever falls below triple-B, which is the lowest rating available elsewhere to investment grade.

The lead manager, Credit Suisse First Boston, estimated the company was able to reduce its borrowing cost by 15 basis points thanks to the inclusion of that clause. As it is, Federal Express paid 120 basis points over yields for its money.

Milan — The Comit index eased to 575.63 points from 585.25 the previous Friday, on low volume that averaged 132 billion lire a day, down from 145 billion the previous week. Almost all issues fell, with Olivetti losing 2.64 percent and CIR 2.92 percent.

Tokyo — The Nikkei average hit the 30,000-year mark for the first time Wednesday before closing the week at 29,793.42 on Friday for a gain of 127.92 yen over the previous week's close. The Nikkei has been rising for nine weeks.

The market was closed Saturday. Wednesday's surge to 30,050.82 yen was due largely to futures-related buying of financial issues and high-technology stocks, dealers said.

Zurich — The Credit Suisse index rose to 513.8 on Friday from 509.9 a week earlier, while the Swiss Bank Corp. indicator rose to 352.0 from 347.0.

Singapore — The Straits Times industrial index rose 2.89 points, ending the

week at 1,002.26, while the SES all-share index gained 271 points, to 284.96.

Dealers said bargain hunting and speculative activity toward the end of the week steadied the market after a fall Monday, which was caused by weak sentiment abroad.

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Amsterdam — The market advanced moderately, taking the ANP-CBS index to 27.2 on Friday from 27.8 a week earlier. Turnover for the week rose to 6.5 billion guilders from 4.8 billion the previous week.

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Hong Kong — Prices showed slight gains, but most investors took a wait-and-see

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CARS: Although the Problems Are Immense, Foreign Carmakers Find Japan Impossible to Ignore

(Continued from first finance page) with the visible "internationalization" of the Japanese consumer...

parallel with recently established arrangements. Second comes the joint-venture sales company with a local maker...

ket dictates. In 1984, when sales of BMW's 3 series were "absolutely dead," Mr. Paysen discovered the snob appeal of left-hand drive...

man, part financier, part technician and part sociologist. The executive's first step was to assess economic and social change...

about 15 percent cheaper than comparable Japanese models. Volvo's higher priced models include the 740, which retails for 5.5 million yen...

market lies in marketing models intended for the European market or, like the popular Probe model from Ford Motor Co...

"No international car maker can disregard this market," Mr. Paysen of BMW said. "If you want to stay alive as an global marketer, you have to face the Japanese on their own territory."

The difficulties in establishing such a network are legion. Among the most onerous are training and keeping technical personnel, convincing entrepreneurs that an exclusive dealership can be profitable...

"Being on our own means taking our own risks, with our own ideas and our own money," says Ralph Johansson, president of Volvo Japan since he established it two years ago. "But most important, it means quick decisions."

With 110 dealers nationwide and a 21 percent share of the import market—the largest of any foreign producer—BMW is probably the best example of what it takes to make it in Japan. Mr. Paysen's strategy, indeed, has made him part

of the Japanese consumer. Mr. Paysen insists that this formula—marketing, financing, pricing and training—can work for other manufacturers. But he also admits that West German auto makers account for almost three-quarters of the import market...

Chrysler's entry into the market next month, with five unmodified car models and 13 standard variations on the Jeep, will raise the old questions for U.S. manufacturers all over again: Are American products right for the Japanese consumer? Are they made well enough? It's difficult to say how well we're going to do," admitted Sadayoshi Hori, president of Chrysler Japan Sales Ltd.

GAF Stock Fraud Case Is First Tied to Boesky

NEW YORK — The first stock manipulation case based on information obtained from Ivan F. Boesky, the imprisoned former speculator, is set to begin Monday against GAF Corp. and one of its top executives.

The indictment alleges that GAF secretly agreed with Los Angeles-based Jefferies & Co. to buy blocks of Union Carbide stock in order to drive up the price. This would have allowed GAF to sell the Union Carbide shares it still held after the failed takeover attempt at an improved price.

Chicago Exchange Options

Table with columns for Option & price, Calls, Puts, and various stock symbols like IBM, GE, etc.

American Exchange Options

Table with columns for Option & price, Calls, Puts, and various stock symbols like AMZN, BAC, etc.

NASDAQ National Market

Table with columns for Sales, High, Low, Close, and various stock symbols like VMS, VMS II, etc.

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MONDAY SPORTS

SIDELINES

IOC Tested the Drug Testers in Seoul

SEOUL (WP) — During the Seoul Olympics, several urine samples examined at the doping-control center contained massive amounts of steroids and stimulants, but no disciplinary action was taken, according to the director of the doping-control center.

Park Jong Sei, the director, said he was shocked. In an interview, Park said that after the Games he asked officials from the International Olympic Committee about the lack of action in these cases of apparently flagrant use of banned substances. He was floored by the response: the IOC planted the tainted samples to test whether the doping-control center was doing its job. Quality control, the IOC explained.

"I was mad," Park said. "When you are tested, you are not too happy."

Yankees Sell Cable Television Rights

NEW YORK (AP) — The New York Yankees became the first major league baseball team to sell all of their television rights to a cable network after announcing a 12-year deal with the Madison Square Garden Network.

The MSG Network will show 75 games in each of the 1989 and 1990 seasons. WFIX-TV, which has carried Yankees games for 38 years, will broadcast 75 games each of those two years under an existing contract. Beginning in 1991 and through the 2000 season, MSG has exclusive rights to 150 games a season.

The value of the package was not announced, but a source familiar with the deal said it was worth about \$500 million.

Romanians Upset Wales in Rugby

CARDIFF, Wales (Reuters) — Romania upset Wales in rugby Saturday, 15-9. It was Romania's first test victory away from home against a major rugby country, and a further shock to Welsh fans after overwhelming Welsh defeats by New Zealand last May and June.

Each team scored and converted a try. Geln Iugat made the difference with three penalty goals, against one by Paul Thornburn. The victory confirmed a Romanian revival signaled two weeks before when France had to struggle to win in Bucharest, 16-12.

Drug Remark Irks Griffith Joyner

LOS ANGELES (Reuters) — Olympic gold medalist Florence Griffith Joyner is considering legal action against a fellow American track star, Carl Lewis, for suggesting that she took performance-enhancing drugs, her manager says.

"Florence is not a vengeful type of individual," Gordon Baskin said. "But this has passed the threshold of no response."

Baskin said Griffith Joyner's lawyers had asked Lewis to come forward with evidence supporting the allegations. Lewis reportedly told a group of college students last week that he knew of Griffith Joyner's drug use from "some very reliable sources."

For the Record

The National Hockey League Board of Governors has approved a change of ownership of the Quebec Nordiques from the Carling O'Keefe brewery to a group headed by Marcel Aubout, who has been managing director of the Nordiques.

Western Michigan quarterback Tony Kimbrough blamed himself for a fumbled snap that cost the Broncos the ball and perhaps the game in a 35-30 loss to Fresno State in Saturday's California Bowl football game.

Quotable

John McEnroe, on grass tennis courts at Wimbledon: "It's a disgrace we should have courts at our own level of the year where you can't get two bounces the same... Grass has become outdated. Unfortunately it's a thing of the past."

Nothing Free in Baseball's Free Agency

By Murray Chass
New York Times Service

NEW YORK — As Yogi Berra might have said, it's déjà vu again. The names are different, but the idea is the same: clubs going money-mad for free agents with deteriorated or unproven talent.

Free agency has made a comeback, showing signs of expenditures, if not length of contracts, that existed in the days before the owners conspired to keep free-agent salaries down.

In one sense, free agency in this year's free-agent market has been reminiscent of a time when owners seemingly lavished a lucrative financial package on any free agent who could walk.

In 1979, for example, the fourth year of free agency, the Los Angeles Dodgers, bidding against themselves, gave Dave Goltz \$3 million for six years. Then they signed Don Stanhouse for five years and \$2.1 million.

Today's newsworld holds the following:

George Steinbrenner and the New York Yankees force Andy Hawkins to take \$3.6 million for three years after no one else had offered more than \$2 million.

Henry Peters and the Cleveland Indians donate \$1,675,000 over two years to Jesse Orosco.

George Argyros and the Seattle Mariners gives \$1.75 million for two years each to Tom Niedenfuer and Jeffrey Leonard.

Gene Autry, who is dying to have his California Angels win a pennant, tried diligently to spend mammoth amounts of his money. But he failed to induce Nolan Ryan and Bruce Hurst to take \$8.8 million.

Eddie Charles and the Texas Rangers won the Ryan chase, and Jim Kroc and the San Diego Padres finished first in the Hurst pursuit.

"If what happened in 1985 and '86 didn't make any sense, then what's happening in 1988 makes less sense to me," said Barry Rona, the owners' chief labor executive.

"I think we're taking average players — in some cases some very average players — and we're paying them as though they are stars. If you overpay for a quality player, so what? To overpay dramatically for a mediocre player, where you could wind up with nothing, that's dangerous."

Rona believes that clubs follow the trend that is created. One spends and the others follow.

"The marketplace has been absolutely crazy, but it's our own fault," said Lou Gorman, general manager of the Boston Red Sox. "But when the marketplace is like that, you have to deal in the marketplace."

Most likely, it was the Los Angeles Dodgers' signing of Kirk Gibson in January that triggered the renewed competition. The Dodgers lured Gibson from Detroit with a three-year, \$4.5 million offer. If the Dodgers could do that, other clubs figured, why shouldn't they?

Randolph to the Dodgers

Seventeen days after Dodger Steve Sax signed as a free agent with the New York Yankees, the two teams completed what essentially became a swap of second basemen on Saturday as Los Angeles signed Willie Randolph to a two-year guaranteed contract, the Los Angeles Times reported.

Terms of the deal were undisclosed, but Randolph — who was paid \$875,000 by the Yankees last season — signed for a total of about \$1.775 million, a source said.

Elsewhere on the second-base maneuver list, Wally Backman of the New York Mets said he wanted to be an "everyday player" in explaining his desire to leave New York. The New York Times reported. Backman was traded last week to the Minnesota Twins.

Backman, 29, had lost his job to Tim Lincecum last spring, regained it by hitting .303 this year but still found himself crowded by rookies Keith Miller and Greg Jeffries.

Tomba Wins Slalom, With Girardelli 2d

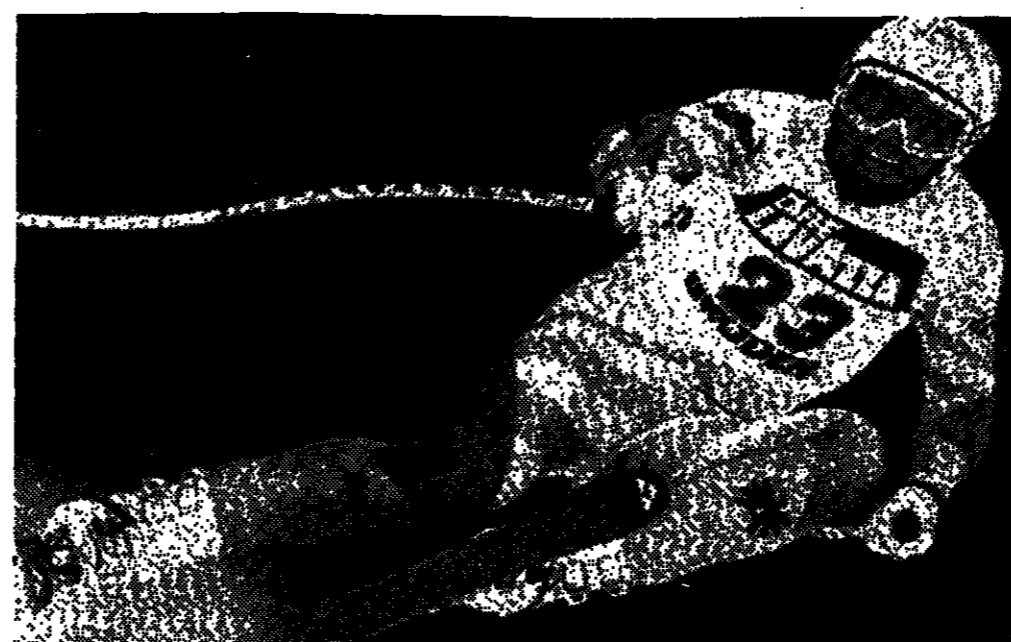
Compiled by Our Staff From Dispatches

MADONNA DI CAMPIGLIO, Italy — Alberto Tomba, before a crowd of 40,000 cheering Italians, won his first slalom of the World Cup skiing season on Sunday.

Tomba, who will be 22 next week, won here for the second straight year and made up for the disappointment of sking into a post and failing to finish the season's opening slalom last week in Sestriere, Italy.

He made the fastest first run, in 50.14 seconds, then sped down the second time in 51.05. Marc Girardelli of Luxembourg, the winner in Sestriere who Friday had walked out in protest of the draw for the downhill race at Val Gardena, Italy, finished second with a combined time of 1:42.10. Girardelli was eighth after a first run of 50.82.

The erratic early season of Firmin Zurbiggen of Switzerland continued as, to loud jeering from the crowd, he again failed to qualify for the second run. But he did retain the lead in the World Cup overall standings, ahead of Girardelli.



Helmut Höfleiner of Austria, the 23d to start, won the downhill race Saturday in Val Gardena, Italy.

Saturday, at Val Gardena, Helmut Höfleiner and fellow Austrian Patrick Ortlieb finished 1-2 in the season's second downhill race for men as the late starters upset the first-group favorites.

Höfleiner, 23d out of the gate, skied the 3.4-kilometer (3,718-yard) Sassolouche course in 2:02.67

for Austria's first downhill victory since Anton Steiner won in 1986.

Ortlieb, who wore No. 30, was timed in 2:02.75, with Swiss veteran Peter Müller third in 2:03.02. Müller, who had won Friday's downhill, teammate Karl Fridgen and Italy's Michael Mair were the only skiers from the first group to

finish among the top 10 as the rapidly changing weather and track benefited those who started later.

Höfleiner's winning time was 2.16 seconds slower than Müller's on Friday, over the same distance. Zurbiggen, who started 11th, finished 22d and failed to pick up any points.

(AP, AP)



Center Rony Seikaly, as loss No. 16 became inevitable.

In Miami, the Heat's Hit a Record Zeroes

Compiled by Our Staff From Dispatches

MIAMI — When the Miami Heat played its first home game last month, Bill Kenchon brought along champagne and a cake in anticipation of the new National Basketball Association team's first victory.

Kenchon, president of the 67-member Miami Heat Fan Club, is still ordering cakes for home games. "We're waiting for that first win," he said. "The champagne will keep, but those cakes get stale."

The Heat may be a boon for local bakeries, but Saturday night the team broke the NBA record for most losses at the start of a season.

In losing its 16th game, by 111-88 to the Chicago Bulls, it surpassed the 1949-50 Denver Nuggets, the 1970-71 expansion Cleveland Cavaliers and the 1972-73 Philadelphia 76ers.

"The pressure is off," said the Heat's coach, Ron Koffstein. "I'm not embarrassed. It's not easy. You want to be competitive. You want to win. But you've got to be realistic. We've got a young team."

After equaling the record Friday with a loss to Denver, Koffstein had said: "I ain't sitting my chest. We'll be good. We'll get there."

This was not the sort of national attention Miami's civic leaders had in mind when the city was granted an NBA franchise in April 1987.

Zev Bufman, a theatrical producer who is one of the Heat's co-owners, said, "I thought it was time south Florida had a basketball team. Besides, I got tired of watching basketball on TV or having to go to L.A., New York to see a game."

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MONDAY SPORTS

Bengals, Vikings Halted by Upsets

The Associated Press HOUSTON — Mike Rozier ran for touchdowns of 13, 15 and 3 yards Sunday while the Houston Oilers' defense slowed the National Football League's top offense to a crawl on route to a 41-6 victory over the Cincinnati Bengals.

The Oilers still can win the AFC Central title, which the Bengals could have clinched. The defense didn't allow the Bengals a first down until 44 seconds remained in the first quarter.

At the half, they had gained 44 yards and Boomer Esiason had been sacked three times and thrown an interception. By that time, the Oilers led, 24-3.

Packers 18, Vikings 6: In Green Bay, Wisconsin, Don Majkowski threw an 11-yard touchdown pass to

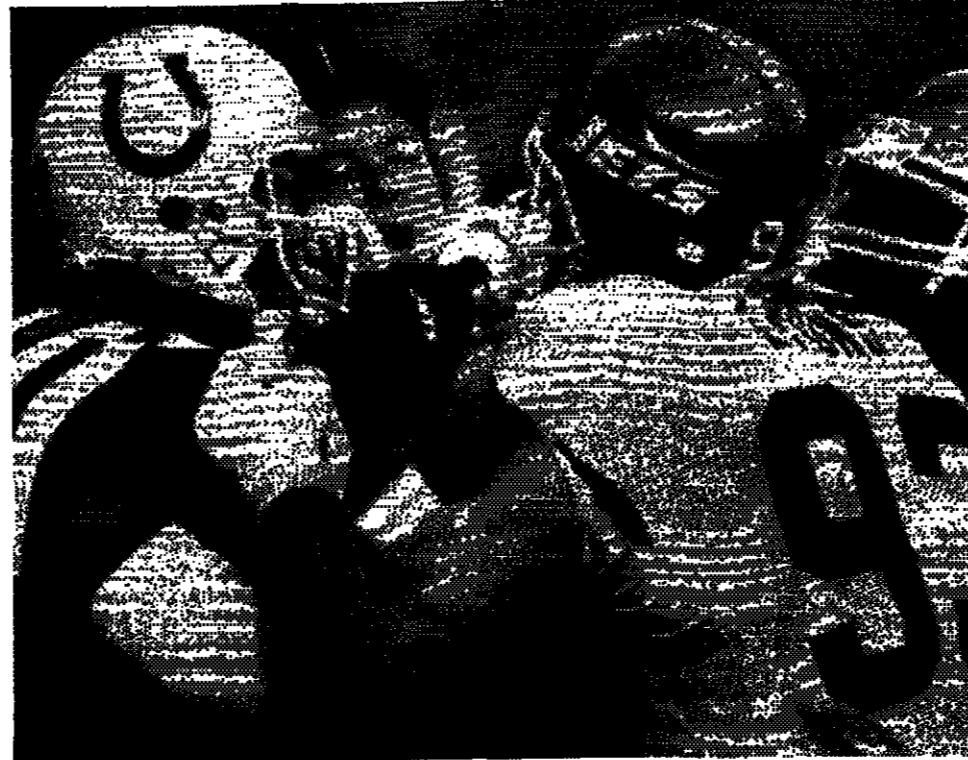
Patrick Scott while the defense put Minnesota's playoff hopes on hold and ended its chance of winning the NFC Central Division title.

The Packers ended a seven-game losing streak by beating the Vikings a second time this season. The Vikings had a five-game winning streak ended and must play Chicago next week with a playoff berth on the line.

Bears 13, Lions 12: In Chicago, Kevin Butler kicked a 32-yard field goal with four seconds left as the Bears clinched their fifth straight NFC Central title by beating Detroit in another cold, windy game.

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Gary Hogeboom, the Colts' quarterback, encountered an aggressive Marty Lyons of the Jets.

Ferry Scores a Duke Record 58 in Miami

The Associated Press MIAMI — Danny Ferry, with 58 points, broke Duke's 38-year-old scoring record Saturday night, and said it wasn't very difficult.

"I got a lot of easy shots," Ferry said after making 23 of 26 shots.

Ferry made 15 of 17 shots in the first half for 34 points, one more than his previous collegiate high. He got 15 straight Duke points in one 2 1/2-minute span at half.

Michigan 107, Western Michigan 60: In Kalamazoo, Michigan, Glen Rice scored 25 points, 11 during a second-half spurt, as the Wolverines (8-0), ranked No. 2 in the Associated Press poll, reached 100 points for the fourth time in their last five games.

Syracuse 108, Kentucky State 73: In Syracuse, New York, Derrick Coleman got 23 points, matched his career high with 19 rebounds and blocked eight shots.

Georgia Tech 104, Arkansas-Little Rock 88: In Chapel Hill, North Carolina, Steve Bucknall made three straight three-point shots in a 2 1/2-minute stretch of the second half to rally the No. 8 Tar Heels (8-1).

Arizona 66, Nevada-Las Vegas 75: In Tucson, Arizona, Sean Elliott scored 20 of his 32 points in the last half and had 15 rebounds and seven assists for the No. 10 Wildcats (3-1) as they pulled away from the No. 9 Runnin' Rebels (2-2) with a 15-5 burst after intermission.

Missouri 86, Memphis State 74: In Columbia, Missouri, Byron Irvin got 19 of his 21 points in the second half for the No. 11 Tigers (7-2) and went over the 1,000-point mark for his career.

Georgia Tech 101, Baptist College 66: In Atlanta, the No. 12 Yellow Jackets (4-0) led by 11-0 before a 22-3 run ensured victory.

Ohio State 84, Lafayette 62: In Columbus, Ohio, Jay Burson scored 15 of his 21 points in the first half, which the No. 14 Buckeyes (4-1) ended with an 11-0 burst.

Louisville 95, Dayton 68: In Louisville, Kentucky, Pervis Ellison was 8-for-8 in the first half, finishing with 21 points, as the No. 15 Cardinals (4-2) won their fourth straight.

California 73, Villanova 71: In Berkeley, California, Keith Smith made a 12-foot baseline jumper with nine seconds to play and Rodney Taylor of the No. 17 Wildcats (4-3) failed to get off his desperation jumper until after the buzzer.

The Golden Bears (6-2), with Mark West scoring 30 points, won their fifth straight, and a second straight against a top-20 team.

Connecticut 68, Virginia 61: In Charlottesville, Virginia, Cliff Robinson got 31 points for the No. 18 Huskies (4-1), who scored the game's final nine points against the Cavaliers (5-1).

Seton Hall 74, St. John's 63: In New York, John Morton scored 17 points as the No. 20 Pirates (7-0) won at St. John's (5-1) for the first time since 1913.

Kansas 95, Temple 78: In Atlantic City, the loss gave the Owls (0-3), 32-2 last season, their worst start since 1913 although Mark Macon scored 30 points. Kansas (6-1) got 26 from Kevin Pritchard.

The Patriots had been the only NFL team that hadn't won in overtime, losing 11 times.

Cowboys 24, Redskins 17: In Washington, Steve Feltner threw three touchdowns passes to rookie Michael Vick in the last half of a 10-0 play as Dallas ended a 10-game losing streak and eliminated the Redskins from playoff contention.

Irvin had only two touchdowns in his previous 14 games. His third Sunday came four plays after Robert Williams intercepted Mark Ryan's pass and returned it 12 yards to the Redskins' 24.

Eagles 23, Cardinals 17: In Tempe, Arizona, Randall Cunningham, Keith Byars and Cris Carter scored first-quarter touchdowns as Philadelphia took a 21-0 lead Saturday and eliminated the Arizona Cardinals from playoff contention.

Izuel Jenkins blocked Greg Horne's punt out of the end zone for a safety with 10:58 left to play. Philadelphia's lead is six points. Then a high center snap stopped the Eagles on a 29-yard field goal try and the Cardinals got the ball at their 20 with 3:39 left. They drove to Philadelphia's 13, but Neil Lomax threw three straight incompletions and the Eagles took over.

Yale 34, Colts 16: In East Rutherford, New Jersey, JoJo Townsell broke a 59-yard punt return for a 10-0 first-quarter lead and AJ Tom, the NFL reception leader, broke his team's seven record of 85 catches with seven for 103 yards as New York beat Indianapolis.

The Colts, winners of the AFC East last season, were nearly eliminated from the playoffs. They had been 5-0 in December under the coaching of Ron Meyer, while the Jets hadn't won a December game since 1985.

Soon, an all-pro, has 89 receptions for 1,011 yards this year.

A Great 'Ali' Impersonation Calls to Senators and the Press Sought to Help Lawyer

The Associated Press ATLANTA — A person identifying himself as Muhammad Ali has made hundreds of phone calls to politicians and journalists seeking help on three projects, one potentially worth millions of dollars to the former world heavyweight boxing champion, according to a newspaper report.

Ali, in a face-to-face interview, told The Atlanta Journal-Constitution he did not make the calls and had no idea who did, the newspaper reported Sunday. "Why would a Black Muslim mess with politicians?" Ali said. "I don't care."

Many of the calls to journalists, the newspaper said, were arranged by Ali's attorney, Richard M. Hirschfeld, of Charlottesville, Virginia. (One resulted in a story, written by The Washington Post, that ran in the International Herald Tribune on June 10.) The Journal-Constitution quoted business associates of Ali and Hirschfeld as saying the lawyer does a convincing impersonation of the former champion.

The newspaper said its attorneys had sent a list of questions to Hirschfeld, including one asking whether he had ever impersonated Ali's voice to a third party.

Hirschfeld, in a letter that answered the questions, but insisted that Ali denied making the statements the newspaper attributed to him, including the one denying that he knew anything about the calls, the paper said.

It reported that "the Ali voice" this year had called at least six U.S. senators, two Senate administrative assistants, 10 press secretaries, nine journalists, 14 senatorial aides, then-Attorney General Edwin Meese Sr. and Arthur B. Culvahouse Jr., congressman from Virginia.

It said that the caller, in talking to the powerful in Washington, had pushed these projects: • An assistant attorney general,

field, has made a number of personal appearances in Washington this year, visiting the offices of five senators who had spoken with "the Ali telephone impostor," the newspaper reported. During these visits, Ali shook hands, signed autographs and made small talk, mostly in whispered phrases, the paper said.

The Page 1 story in The Washington Post was based on "a rare telephone interview" that detailed Ali's stands on politicians from Strom Thurmond and Jesse Jackson to Mikhail Gorbachev. [The Post said Sunday that, on June 7, at a Capitol Hill news conference announcing Saltzman's appointment as deputy assistant attorney general in the Justice Department's criminal division, Hirschfeld told a Post reporter that she would be allowed to interview Ali, but that the interview could not take place then.]

[That evening, the Post said, Hirschfeld called the reporter at home and said that Ali would be calling. Shortly afterward, a man identifying himself as Ali did call.]

[The following day, the Post said, Hirschfeld assured the reporter and an editor that it was Ali who had given the interview. Hirschfeld said he would call from Chicago if there were further questions. Later that day, a man identifying himself as Ali called the Post editor and talked for 20 minutes.]

The Atlanta report also quoted several Ali associates as saying they doubted whether the former champion could expound at length on the issues of the day. "Ali is a simple man," said his former fight doctor, Ferdie Pacheco. "If you accept him as naive, it doesn't take anything for unscrupulous people to talk their way into him, to use him as a front and use his name."

Pacheco added: "Politica? Foreign policy? He knows about foreign policy?"

al's job for a University of Virginia law professor, Stephen Saltzman, who is a friend and occasional legal associate of Hirschfeld.

• A Justice Department investigation of a federal prosecutor in Norfolk, Virginia, who had expressed a bias against a former Hirschfeld business associate and was investigating Hirschfeld.

• A bill in Congress that would allow Ali to again sue for \$50 million in damages from his wrongful conviction in 1967 of draft evasion. Hirschfeld was an attorney in the first lawsuit, in 1984, which lost. The first draft of the legislation, which failed last September, was written by Saltzman at Hirschfeld's request, according to Senator Orrin Hatch, the Republican of Utah, who proposed the bill.

In conversations with senators and journalists, the person calling was "witty, articulate and intelligent," knowledgeable and politically savvy on subjects as diverse as foreign policy and public housing, the Atlanta paper reported.

But Ali, 46, has been diagnosed as having suffered Parkinson syndrome as a result of his many years in the ring. In public appearances in recent years, he has spoken hesitatingly, often in a shrilled whisper.

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Americans Capture Masters Doubles

LONDON — Rick Leach and Jim Pugh of the United States capped their year as the richest pair in tennis by winning the Masters doubles title on Sunday against Spain's Sergio Casal and Emilio Sanchez.

Leach and Pugh, the chance to meet the Spaniards in the U.S. Open final, gave a taste of how things might have been in New York with a 6-4, 6-3, 6-2, 6-0 victory.

The two teams were due to meet in the Open final, but when Leach, 23, contracted food poisoning, the Spanish pair was awarded the victory. The Masters victory gave the Americans a jackpot of more than \$350,000 between them in winnings.

Casal and Sanchez, who had looked almost invincible against Swede Anders Jarryd and Australian John Fitzgerald in the semifinals, came to life in the last game when they saved four match points before hitting rackets as they went for the winner from Pugh.

Czech Women Win Cup Radka Zrubakova and Helena Sukova scored straight-set victories Sunday to lift Czechoslovakia to victory over the top-seeded Soviet Union in the final of the Federation Cup in Melbourne, The Associated Press reported.

Czechoslovakia, seeded fourth, won the Cup for the fourth time in six years.

Selected College Results

Table with columns for Conference, Team 1, Score, Team 2, Score. Includes Eastern Conference, Western Conference, and Selected College Results.

FRIDAY'S RESULTS

Table with columns for Team 1, Score, Team 2, Score. Includes various college basketball games.

FRIDAY'S RESULTS

Table with columns for Team 1, Score, Team 2, Score. Includes various college basketball games.

SCOREBOARD

BASKETBALL

NBA Standings

Table with columns for Conference, Team, W, L, Pct., GB. Includes Eastern Conference and Western Conference.

Selected College Results

Table with columns for Team 1, Score, Team 2, Score. Includes various college basketball games.

FRIDAY'S RESULTS

Table with columns for Team 1, Score, Team 2, Score. Includes various college basketball games.

FRIDAY'S RESULTS

Table with columns for Team 1, Score, Team 2, Score. Includes various college basketball games.

SOCCER

ENGLISH FIRST DIVISION

Table with columns for Team 1, Score, Team 2, Score. Includes various English football matches.

FRENCH FIRST DIVISION

Table with columns for Team 1, Score, Team 2, Score. Includes various French football matches.

ITALIAN FIRST DIVISION

Table with columns for Team 1, Score, Team 2, Score. Includes various Italian football matches.

SPANISH FIRST DIVISION

Table with columns for Team 1, Score, Team 2, Score. Includes various Spanish football matches.

WORLD CUP VICTOR

Ben Crenshaw narrowly missed a birdie putt on Saturday, above, but he sank a four-foot putt on the last green Sunday to secure a one-stroke victory for the United States in World Cup competition in Melbourne. "It was the happiest putt of my life," said Crenshaw, who, with his partner, Mark McCumber, helped the United States gain its 17th World Cup victory.

TRANSITION

BASEBALL NATIONAL LEAGUE CINCINNATI—Acquired Ruben Ramirez, outfielder, from the Chicago Cubs for Steve Largent, defensive end, and a player to be named later.

HOUSTON—Bob Forsch, pitcher, accepted salary arbitration.

BASEBALL NATIONAL LEAGUE ATLANTA—Acquired Stevie Nieves, wide receiver, and Stan Clayton, offensive lineman, from the San Francisco 49ers, wide receiver, and Pat Venson, tight end, from the Oakland Raiders.

GREEN BAY—Punished Paul Horner, running back, on inactive list. Activated Kenneth Davis, running back, from injured reserve.

NEW ORLEANS—Activated Bill Conti, offensive lineman, from injured reserve. Injured reserve, offensive lineman, returned to active roster.

